



# **ANNUAL REPORT KOUGA LOCAL MUNICIPALITY**

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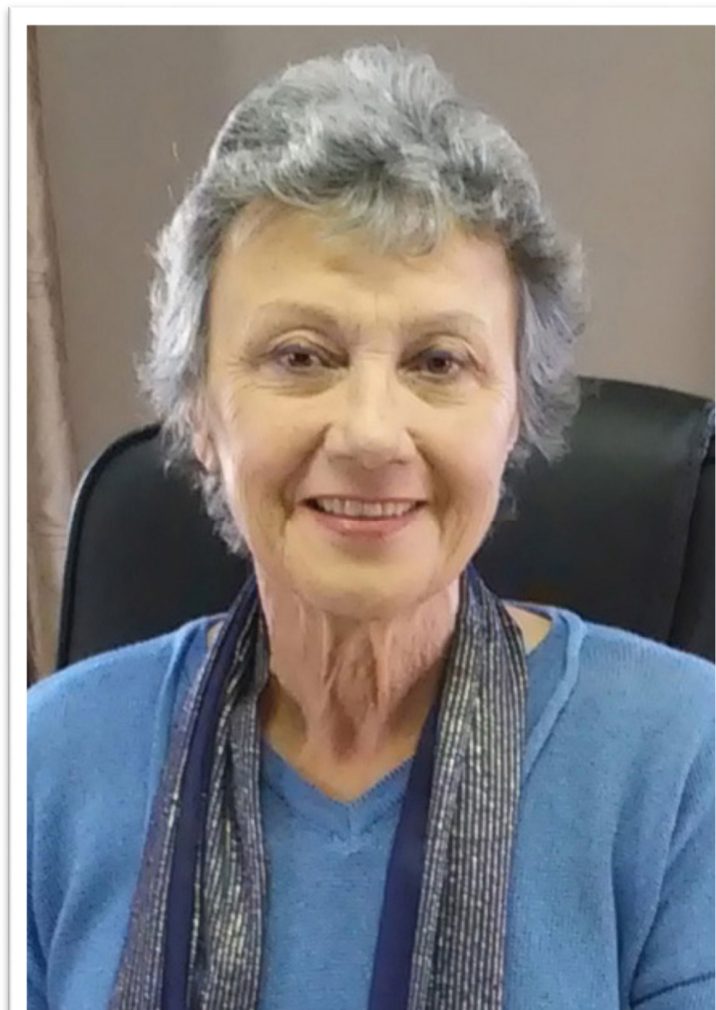
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# Chapter 1

## CHAPTER 1 – MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

### COMPONENT A: MAYOR'S FOREWORD



The year 2016/2017 marked a definite change of direction for Kouga Municipality, with the Democratic Alliance (DA) taking control of the Municipality after the municipal elections of August 2016. In line with this change, a new logo, vision, mission and value statement were crafted and adopted by the Council on 15 December 2016.

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Our new vision for Kouga, “Good Governance through Service Excellence”, succinctly sets out what the DA-led Municipality aims to achieve over this term.

Our goals include improving municipal infrastructure and ensuring that it is properly maintained so as to ensure that the municipality is in a position to deliver quality services. We will also be creating a climate conducive to investment and economic growth, in order to address the scourge of poverty and unemployment. Strengthening the institutional capacity and financial viability of the municipality, underpinned by a zero-tolerance approach towards fraud and corruption, will also be an ongoing focus.

The new Council encountered many obstacles during its first year in governance. We discovered that there were a number of financial claims and serious matters of non-compliance hanging over the municipality like a dark cloud. To mention but a few, unauthorised expenditure, dating back to 2009 and totalling R288-million, had not been properly investigated nor written off by the previous Councils, whilst the municipal fleet, essential for the delivery of services, was in a shocking condition. Return of Earnings, payable to the Department of Labour annually and required for what is commonly known as “workmen’s compensation”, had also not been paid for ten years. The municipality also did not have an approved Employment Equity Plan, as legally required.

Uncovering and fixing these old wrongs became a priority during 2016/2017 financial year and good progress was made. Most of the identified unauthorised expenditure was dealt with and an Employment Equity Plan was adopted for the first time in seven years. The disposal of redundant vehicles and equipment by public auction was approved and a five-year fleet replacement plan was finalised for implementation.

Despite the challenges, we were able to achieve some key service delivery successes. These included the electrification of 247 sites at the Donkerhoek informal settlement, Humansdorp, at a cost of R6-million. The municipality’s roadworthy centre was repaired and re-opened after a flash flood closed operations in 2015. Massive clean-up campaigns were also conducted as part of our commitment to creating a safe and caring environment for all of Kouga’s people.

The past year also saw RDP houses being built in Kouga for the first time in 11 years whilst we fast-tracked the upgrade of the Kruisfontein Waste Water Treatment Works to allow for the building of more RDP houses in this area.

An ongoing and very serious challenge that Kouga can only overcome if everyone plays their part, is the drought and decreasing dam levels. Water restrictions and steep punitive tariffs were first introduced in December 2016 and a local state of disaster was declared by the Council on 31 May 2017 due to looming water shortages. An emergency drought action

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plan was also drafted and its implementation will be a key focus area over the next financial year so as to ensure that our communities' taps don't run dry.

Another disaster we faced this past year was a runaway fire which devastated the Longmore area from 7 to 23 June 2017. Thousands of hectares of vegetation, including about 17 000ha of the Longmore plantation, were destroyed, service infrastructure was damaged and residents from the Longmore Village and surrounding farms had to be evacuated to the Thornhill Community Hall. A local state of disaster due to the fire damage was declared by Council on 12 June 2017 and we continue working with the affected communities to strengthen their resilience to natural disasters.

The outpouring of support from individuals, business and community organisations for our fire-fighters and affected households during this time was simply incredible and demonstrated just how important public-private partnerships are when it comes to caring for our communities.

To this end I am pleased to report that the municipality established all legislatively-required platforms for public participation, such as ward committees. Two series of public consultation meetings were also held regarding the new five-year Integrated Development Plan (IDP) and the annual budget for 2017/2018, with a higher-than-usual attendance by communities being recorded.

Stakeholder engagement was also boosted, not only with local business and interest groups, but also with other sectors of government. Most notably, a joint project steering committee was established by Kouga and Eskom so as to ensure Kouga's readiness for the proposed nuclear power station at Thyspunt, should the project get the go-ahead. Regular engagements also took place between the municipality and wind farms operating in the area to help them align their social responsibility programmes with the approved IDP to ensure maximum impact on the communities.

In conclusion, whilst our first year in governance was filled with ups and downs, significant progress was made. Together with our new senior management, headed by the Municipal Manager Charl du Plessis, and our communities, we are on track to grow Kouga in a manner that will benefit all communities, regardless of race, colour or creed. Our sincere gratitude goes to everyone who contributed to this progress over the past year.



(Signed by : ) \_\_\_\_\_  
Executive Mayor

# Chapter 1

## COMPONENT B: EXECUTIVE SUMMARY

### 1.1. MUNICIPAL MANAGER'S OVERVIEW



**Charl Du Plessis – Municipal Manager**

**It is my privilege to report on the performance of Kouga Municipality for the past financial year.**

The 2016/2017 year is a historical one for the Kouga Municipality as it heralded in new political leadership with the promise of serving the citizens of Kouga. My term of office commenced at the tail end of the financial year on the 5<sup>th</sup> of June 2017.

The third IDP of the Council found its last expression in the 2016/17 financial year. The new Council has completed and adopted a 4<sup>th</sup> generation IDP which will guide Council for the next 5 years starting with the 2017/18 financial year.

The Kouga Municipality has made major progress in the 2016/2017 financial year regarding its Infrastructure investment and service delivery. I would like to emphasise some of the key achievements for the past financial year.

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## **SOCIAL SERVICES.**

- Kouga Municipality was again awarded full Blue Flag status for 2016/17 for Dolphin Beach in Ward 11.
- The Municipality has participated in the Coast Care programme which was funded by the National Department of Environmental Affairs, during which 68 EPWP's were appointed to work in all Coastal Wards.
- The Department of Solid Waste took delivery of 20 skip bins for the control of illegal dumping.
- The tender for the Upgrade of Oyster Bay Fire Station was awarded in May 2017 and the project has commenced.

## **ECONOMIC DEVELOPMENT**

The Kouga Events Committee approved 67 events/festivals to be staged in the Kouga Municipal area in this Financial Year. These events were mainly private events and many made use of Municipal Land. Apart from the above, R910,000 was allocated for 10 festivals held in partnership with the Kouga Municipality through financial support of other means. These were:

- Winter Fest: 6-17 July 2016 (R700,000)
- Spring Picnic: 17 Sept 2016 (R11,000)
- Heritage Festival: 29, 30 September and 1 October 2016 (R60,000)
- Jazz Fest: (R47,000)
- Opening of the season (R16,000)
- 16 December 2016 (R11,000)
- Nautical Fest: (R20,000)
- Citrus Fest: (R20,000)
- New Year's Bash: 31 December 2016
- Expedition Africa: 14-21 May 2017 (R25,000)

## **INFRASTRUCTURE PLANNING AND DEVELOPMENT**

Electricity:

- Electrification of 247 houses in Donkerhoek, Kruisfontein, Humansdorp was completed.
- The 1200m-240mm-11kv cable to Wavecrest, Jeffreys Bay was replaced.
- The upgrading of the 315kv mini sub-station with a new 500 kV mini sub-station in Voortrekker road, Humansdorp.
- The reserving of 66kv bay at Eskom Melkhout sub-station for fencing.
- The replacement of a damaged 315kV transformer in St Francis Bay.
- Maintenance on 66kv at Eskom Melkhout sub-station line before the festive season.
- Department of Energy grant funding for 391 houses in Kruisfontein could also start during this financial year.



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## Town Planning:

- Successful implementation of the new Spatial Planning and Land Use Management Act and the establishment of the Municipal Planning Tribunal & Appeal Authority.
- 11 Municipal Planning Tribunal Meetings were held in terms of the new SPLUMA legislation.
- A total of 639 Building plans were approved during the financial year

## Technical Services:

### Resealing Contract: 2016/17

- Project cost = R 1,834,246.90
- Potholes = 3728m<sup>2</sup>
- Reseal = 59814m<sup>2</sup>

### Mechanical Upgrade Cormorant Sewer Pump station

- Project cost = R 1,899,060.00
- Install new pumps, pipework, electrical control panel and new building to house mechanical equipment.

### Upgrade Jeffreys Bay Water Treatment Works

- Project cost: R 2,000,000.00 Department of Water and Sanitation (ACIP) and R 750,000.00 own funding.
- Replace 3 x Sand filters, construction of flocculation canal

### Environmental Authorizations received:

- Hankey "990" Housing Project: Environmental Authorization (EC08/C/LN1&3/M/30-2015), issued 07 July 2016.
- Weston Housing Project: On erven 17, 1480 and 1508: Environmental authorization (EC08/C/LN1&3/16-2015)

The majority of MIG (Municipal Infrastructure Grant) funds were allocated to sewerage related projects during the 2016/2017 year. These projects included the following:

- Upgrade of Kruisfontein Waste Water Treatment Works (2015-2017 project implementation life span). MIG allocation for 2016/2017 was R28,719,398.27. Work on this project is progressing well with most of the civil work component nearing completion, with only the mechanical and electrical work

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outstanding. This project is due for completion during the 2017/2018 financial year.

- Patensie: Ramaphosa Village: Replacement of Digesters with Waterborne Sanitation. MIG allocation for the 2016/2017 was R 7,090,301.73. This project was completed during June 2017, and 573 erven was provided with a sewer connection to the waterborne reticulation network.

During 2016/2017 the services of a Professional Service Provider was procured for the development of a Sewer Master Plan for the Humansdorp area. This project was funded by the Department of Human Settlements and completed during 2016.

The Department of Human Settlements funded various bulk Water and Sanitation infrastructure projects with the aim of un-blocking housing projects in Patensie, Hankey and Jeffreys Bay.

The Department of Human Settlements appointed three (3) Contractors for the installation of services and the construction of the top-structures during the 2016-2017 financial year. The appointed contractors and projects are as follows:

- Bendolite Consortium was appointed for the installation of services as well as the construction of the top-structures. They commenced with the installation of services on the 1<sup>st</sup> of July 2016. The contract period is 29 months and the anticipated completion date for both the civil services and the top-structures is 30 November 2018.
- Ikahaya Construction was appointed on the 1<sup>st</sup> of July 2016 for the construction of the civil works as well as the construction of the 220 top-structures. Problems were however experienced with the contract between the Provincial Department of Human Settlements and the Contractor. The problems were however resolved and the physical handover of the construction site was during March 2017.
- The contractor for the Ocean View 1500 Housing Project Jade Africa was also appointed during July 2016, but due to contractual disputes between the Contractor and the Provincial Department of Human Settlements, their contract was terminated and the Provincial Department of Human Settlements started with a new procurement process to appoint a suitable service provider for the installation of civil services.

## FINANCE

There was a steady improvement of the financial position of the Kouga Municipality over the past financial year-continuing on the progress made during the previous financial year.

- Cash and cash equivalents increased by R 5,681 (7.23%) million from R 78,573 million in 2015/16 to R 84,254 million in 2016/17.
- Current Liabilities decreased by R 14,275 million (7.36%) from R 194,052 million in 2015/16 to R 179,777 million in 2016/17.

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There was steady improvement regarding key financial ratios as could be seen from the table below.

Key financial indicators		Actuals as at 30 June 2013	Actuals as at 30 June 2014	Actuals as at 30 June 2015	Actuals as at 30 June 2016	Actuals as at 30 June 2017
Current Ratio	Current assets / current liabilities	0.54	0.54	0.72	0.86	0.97
Liquidity Ratio	Monetary assets / current liabilities	0.10	0.16	0.22	0.40	0.47
Cost coverage	(Cash and cash equivalents - Unspent Conditional Grants - Overdraft) + Short term investment)/monthly fixed operational expenditure excluding (depreciation, amortisation, provision for bad debts, impairment and loss on disposal of assets)	0.23 Months	0.25 Months	0.82 Months	1.59 Months	1.61 Months
Employee Costs	Employee Costs / Total Operating Expenditure	35.41%	35.32%	36%	36.93%	33.90%

## CONCLUSION:

The steady worsening drought conditions in the Kouga municipal area has already had a big impact as could be seen with the disastrous fires that Kouga experienced during June 2017. With falling dam levels and poor rains received during the financial year, the challenge of maintaining water security will become a challenge that Kouga Municipality will have to face in the next financial year. Going forward, Kouga Municipality will focus on improving its financial position while at the same time improving its service delivery to communities.



(Signed by :)  
Municipal Manager

# Chapter 1

## 1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

### **OUR VISION**

Kouga – a safe, equitable and harmonious home, with prosperous and sustainable livelihoods for its people.

In February 2017 the vision changed to: Good Governance through Service Excellence.

### **OUR MISSION**

To create a better life for its people by providing effective and efficient service delivery, enabling the sustainable harnessing of its environmental assets, supported by inclusive governance and stakeholder participation, derived from the shared values of its people and its legislated mandate.

### **The Values underpinning our Vision and Mission are:**

Honesty

Transparency

Integrity

People-centered Accountability

Professionalism

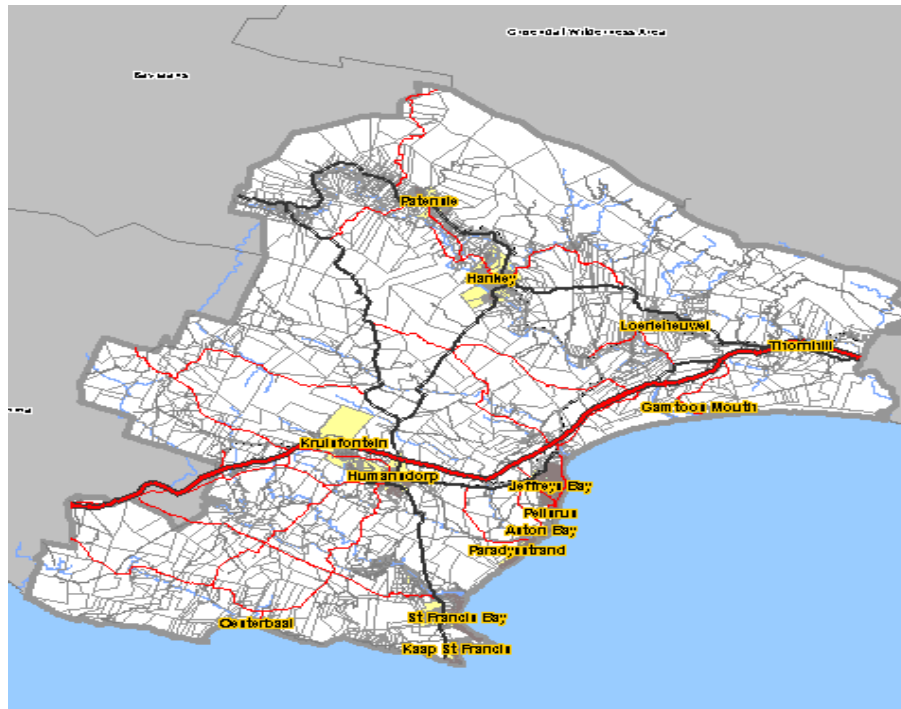
Consistency

Accessibility

Equality

Batho Pele

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## FUNCTIONS

In terms of Circular 8/2009: 2008/09 Capacity Assessments and Recommendations: Adjustment of Powers and Functions between District and Local Municipalities in terms of Section 85 of the Local Government: Municipal Structures Act 1998, the Kouga Municipality has the following powers and functions to fulfil:

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Powers and Functions
Air Pollution
Building Regulation
Child Care Facilities
Electricity Reticulation
Fire Fighting
Local Tourism and Economic Development
Municipal Airports
Municipal Planning
Health and Environmental Health Services
Public Transport
Storm Water
Trading Regulations
Water (Potable)
Sanitation
Beaches and Amusement Facilities
Billboards and the Display of Advertisements in Public Places
Cemeteries, Funeral Parlors and Crematoriums
Control of the Public Nuisances
Control of Selling Liquor
Facilities for the Accommodation, Care and Burial of Animals
Licensing and Control of Food Sold to the Public
Local Amenities
Local Sports Facilities
Markets
Abattoirs



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## POPULATION

Despite it being the second smallest region in the Sarah Baartman District, covering only 4,1% of the District's land area, Kouga is the most populous region in the district. It has a population of 98 588 (Census 2011), representing approximately 22% of the total population of the district.

Kouga also has the fastest annual growth rate in the district. Since 1996, the population has increased at an average of 2,4% per annum compared to the annual growth rate of 1,1% in the district and 0,3% in the province. Kouga is characterized by vast differences in population density from one area to the next. These variations have an impact on the cost of service delivery while migration to the urban nodes places additional pressure on the existing infrastructure of these high-density areas.

The influx of job seekers has also impacted negatively on employment figures.

According to "Labor Force Survey Data" for 1995 to 2010 (Stats SA), employment in the region declined by 11,7% between 1995 and 2010 while the working age group increased by 25%. This means that 80,3% of the working age group had employment in 1995, compared to 56,8% in 2010

**LOCATION** Kouga Local Municipality forms part of the Sarah Baartman District Municipality in the Eastern Cape Province of South Africa. It is situated west of Nelson Mandela Bay Municipality (Port Elizabeth, Uitenhage and Despatch) and covers a total land area of 2 418km<sup>2</sup>.

The nine towns included in Kouga are Jeffreys Bay, Humansdorp, St Francis Bay, Cape St Francis, Oyster Bay, Patensie, Hankey, Lorie and Thornhill.

## TOPOGRAPHY AND CLIMATE

Kouga is largely an urban area, with three main topographical regions:

The coastal region stretches from the Van Stadens River in the east to the Tsitsikamma River in the west. This zone includes the towns of Jeffreys Bay, St Francis Bay, Cape St Francis and Oyster Bay. The coast serves as a major tourism attraction.

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The Gamtoos River Valley is characterised by wide, fertile flood plains associated with low-lying land. Steep and less-fertile slopes flank the Valley. The towns of Hankey, Patensie, Loerie and Thornhill are focal points of this high-potential agricultural region.

The Humansdorp area, including Kruisfontein, is characterised by moderate slopes in the south, with steeper slopes towards the north and northwest.

The four main rivers in the area - the Kromme, Seekoei, Kabeljauws and Gamtoos – are tidal rivers. The Kromme River and Gamtoos River are significant sources of water supply. Ground water is another major component of domestic water supply. Aquifers are also utilised in the agricultural sector for irrigation.

There are numerous areas of wetland adjacent to the region's rivers and on the coastal platform. These wetlands are extremely sensitive to disturbances such as agricultural activities and development. The wetlands accommodate high species diversity and fulfil natural water purification and flood retention roles.

The climate of the Kouga region is subtropical, which makes the area conducive to a range of outdoor activities and various types of agricultural production. Rainfall varies between 650 mm per year (St Francis Bay area) to 400 mm (Gamtoos River Valley). The area is generally described as windy.

## **ECONOMY**

Kouga's total output / Gross Value Added (GVA), which is used to measure the value of production in a region, has shown erratic growth since 1996.

"Regional Income and Production Data" for 1995 to 2010 (Stats SA) indicates that the economic sector of Kouga is dominated by secondary and tertiary activity

In 2010 the leading industries were finance, insurance and real estate (FIR) at 33,3%, manufacturing (MAN) at 19,1% and general government (GG) at 14,2%. With its growth outpacing all other industries, FIR has since 1996 overtaken wholesale and retail trade,

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catering and accommodation (WRCA) as the largest contributor to GVA. WRCA's proportion to Kouga's output has plummeted from 21% in 1995 to 10,3% in 2010.

The contribution of the main primary sector – agriculture, forestry and fishing (AFF) – has also decreased from 11,8% in 1995 to 3,5% in 2010. However, manufacturing proportion saw an increase of 4,8% over the same period. Whilst the primary sector dominated employment up until 2005, the tertiary sector has since taken over this role. According to the 2011 Census (check census), Kouga Municipality is currently the fastest growing economy in the country. With the onset of a number of megaprojects in the area, there is phenomenal growth and influx of people into the area and this has a big impact on the economy. It also impacts on the services of the area as well. This has the positive effect of job creation and added business opportunities for Kouga. It is said that there is 3,22% growth rate in the population and Kouga is ranked 114<sup>th</sup> by population size in the country.

## 1.3. SERVICE DELIVERY OVERVIEW

### SERVICE DELIVERY OVERVIEW

Despite having a challenging year, the Infrastructure Department recorded significant successes

#### Electrical Unit:

#### Achievements:

- Electrification of 247 houses at Donkerhoek Kruisfontein, Humansdorp
- Replacement of 1200m 240mm 11kv cable to Wavecrest, Jeffreys Bay
- Replaced 315kV mini sub-station with a new 500 kV mini sub-station Voortrekker Road, Humansdorp
- Reserving of 66kV bay at Eskom Melkhout sub-station, Humansdorp
- Replacement of a damaged 315kV transformer in St Francis Bay
- Maintenance on the 66kV line before festive season
- Department of Energy grant funding for 390 houses at Kruisfontein

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## Challenges:

- Electrical losses increased due to illegal connections and tampering of meters
- Vacant positions not filled
- Redundant vehicles and equipment needed to be replaced.

## Town Planning:

### Achievements:

- Successful implementation of the new Spatial Planning and Land Use Management Act and the establishment of the Municipal Planning Tribunal & Appeals Authority
- 11 Municipal Planning Tribunal Meetings were held in terms of the new SPLUMA legislation
- One (1) Appeals Authority Meeting was held in terms of the new SPLUMA legislation
- 639 building plans were approved

### Challenges:

- Implementation of the new Spatial Planning and Land Use Management Act and reduction of the backlog created in terms of land-use applications
- Vacant positions are not filled
- Inadequate archives space
- Building not in a conducive condition

## Technical Services:

### Achievements:

- Resealing Contract: 2016/17
  - Project cost = R 1,834,246.90
  - Potholes = 3728m<sup>2</sup>
  - Reseal = 59814m<sup>2</sup>
- Mechanical Upgrade Cormorant Sewer Pump station
  - Project cost = R 1,899,060.00
  - Installation of new pumps, pipework, electrical control panel and obtaining a new building to house mechanical equipment.

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- Upgrade Jeffreys Bay Water Treatment Works
  - Project cost: R 2,000,000.00 by the Department of Water and Sanitation (ACIP) and R 750,000.00 own funding
  - Replacement of 3 x Sand filter, construction of flocculation canal
- Environmental Authorization received
  - *Hankey 990 Housing Project*: Environmental Authorization (EC08/C/LN1&3/M/30-2015), issued 07 July 2016.
  - *Weston Housing Project*: On erven 17,1480 and 1508: Environmental authorization (EC08/C/LN1&3/16-2015)



# Chapter 2

## CHAPTER 2 – GOVERNANCE

### INTRODUCTION TO GOVERNANCE

Political leaders and the heads of administration have a key leadership responsibility, and in a local government context, are accountable for ensuring good governance in their municipalities. Some of the foremost principles of good governance are the key pillars for Municipal compliance:-

**Accountability:** Accountability is a fundamental requirement of good governance. A municipality has an obligation to report, explain and be answerable to the communities it serves and for the decisions it makes.

**Transparency:** People should be able to follow and understand the decision-making process. This means that they should be able to clearly see how and why a decision was made; what information, advice and consultation council considered, what consequences were considered and which legislative requirements (where applicable) council followed in arriving at its decision.

**Rule of Law:** This means that decisions are consistent with relevant legislation and are within the powers of Council. A responsive Local government should always try to serve the needs of the entire community whilst balancing competing interests in a timely, appropriate and responsive manner.

**Equity and inclusiveness:** A community's wellbeing results from all its members feeling their interests have been considered by council in the decision-making process. This means that all groups, particularly the most vulnerable communities, must have opportunities to participate in the process and should be consulted on their needs.

**Effectiveness and Efficiency:** Local government should implement decisions and follow processes that make the best use of the available human and financial resources, as well as time to ensure the best possible results for their community.

**Participation:** Anyone affected by or interested in a decision, should have the opportunity to participate in the decision-making process. This can happen in several ways; community members may be provided with information, asked for their opinion, given the opportunity to make recommendations or, in some cases, be part of the actual decision-making process.



# Chapter 2

## COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

### 2.1 POLITICAL GOVERNANCE

Kouga is a Category C or Local Municipality with an Executive Mayoral System where powers are vested in the Mayor elected by the Council. The Mayor may appoint a committee to whom she may delegate certain responsibilities.







**POLITICAL STRUCTURE** (As from 19 August 2016)



**Executive Mayor: Elsa  
van Lingen**



**Speaker: Horatio  
Hendriks**

MAYORAL COMMITTEE					
					
<b>Frances Baxter</b> Tourism & Creative Industries	<b>Danny Benson</b> Social Services	<b>Nico Botha</b> Administration, Monitoring, Evaluation & Special Projects	<b>Bryan Dhludhlu</b> Local Economic Development	<b>Desmond Petersen</b> Infrastructure, Planning & Development	<b>Brenton Williams</b> Finance

## Chapter 2



The Council consists of 29 Councillors:

17 from the DA

12 from the ANC

14 are PR Councillors

15 are Ward Councillors

10 Females

19 Males

HEAD OF COUNCIL				
1	Elizabeth Christina	Van Lingen	DA	Executive Mayor
2	Horatio Mario	Hendricks	DA	Speaker
MAYORAL COMMITTEE				
1	Nicolaas Stephanus	Botha	DA	<b>Portfolio Council:</b> Administration, Monitoring, Evaluation and Special Projects

## Chapter 2

2	Desmond Neville	Petersen	DA	<b>Portfolio Council:</b> Infrastructure Development & Planning
3	Daniel	Benson	DA	<b>Portfolio Council:</b> Social Services
4	Brenton John	Williams	DA	<b>Portfolio Council:</b> Finance
5	Bryan	Dhludhlu	DA	<b>Portfolio Council:</b> Local Economic Development
6	Frances	Baxter	DA	<b>Portfolio Council:</b> Tourism and Creative Industries
<b>PR COUNCILLORS</b>				
1	Frances	Baxter	DA	PR Cllr
2	Brenton John	Williams	DA	PR Cllr
3	Daniel	Benson	DA	PR Cllr
4	Nicolaas Stephanus	Botha	DA	PR Cllr
5	Elizabeth Christina	Van Lingen	DA	PR Cllr
6	Francois Johannes	Louw	DA	PR Cllr
7	Beatrice Hendrina Jacoba	Carstens	DA	PR Cllr
8	Diana Jane	Biggs	DA	PR Cllr
9	Down Mnyamezeli	Nkomo	DA	PR Cllr
10	Bryan	Dhludhlu	DA	PR Cllr
11	Malibongwe Emmanuel	Dayimane	ANC	PR Cllr
12	Virginia Alice	Camealio-Benjamin	ANC	PR Cllr

## Chapter 2

13	Cynthia Nomathamsanqa	Matroos	ANC	PR Cllr
14	Phumza	Nkwalase	ANC	PR Cllr
<b>WARD COUNCILLORS</b>				
1	Julius Zolani	Mayoni	ANC	Ward 1
2	Timothy Ncedile	Meleni	ANC	Ward 2
3	Willem Petrus Dormehl	Gertenbach	DA	Ward 3
4	Frederick Jacobus	Campher	DA	Ward 4
5	Desmond Neville	Petersen	DA	Ward 5
6	Velile Solomon	Vumazonke	ANC	Ward 6
7	Eldridge Reginald	Februarie	ANC	Ward 7
8	Ludwig	Vorster	DA	Ward 8
9	Sibongile	Jujwana	ANC	Ward 9
10	Amos	Mabukane	ANC	Ward 10
11	Chris Hattingh	Bornman	DA	Ward 11
12	Benjamin Fredeman	Rheeder	DA	Ward 12
13	Magareth	Peters	ANC	Ward 13
14	Cynthia Sindiswa	Mandeka	ANC	Ward 14
15	Horatio Mario	Hendricks	DA	Ward 15

The Council established several Committees to enable it to deliver on its constitutional mandate.

### Section 80 Committees

The following Portfolio Committees have been established in terms of Section 80 of the Municipal Structures Act to assist the Mayor and the Mayoral Committee: -

## Chapter 2

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- a) Social Services Committee
- b) Infrastructure, Planning & Development Committee
- c) Finance Committee
- d) Administration, Monitoring & Evaluation & Special Projects Committee
- e) Local Economic Development Committee
- f) Tourism and Creative Industries Committee

Each of the Support Committees deliberates on matters that fall within its specific terms of reference and makes recommendations to the Mayoral Committee for final approval by the full Council. The Executive Committee has wide ranging delegations with the exception of the powers provided to Council in terms of Section 160 (2) of the Constitution of the Republic of South Africa, 1996. The following functions may not be delegated by a Municipal Council:

the passing of by-laws;

the approval of budgets;

the imposition of rates and other taxes, levies and duties; and

the raising of loans.

The Mayoral Committee makes recommendations for approval by Council on such matters.

### **Section 79 Committees**

In addition, Council has established the following Committees in terms of Section 79 of the Municipal Structures Act:-

- a) Municipal Public Accounts Committee

The Municipal Public Accounts Committee which is made up of non-executive Councillors ensures that the Administration is held accountable for the management of municipal funds and assets, and to ensure the efficient and effective utilization of council resources. The Committee also considers the Annual Report and makes recommendations to Council on the Annual Report by submission of an Oversight Report. The Committee's Oversight Report is published separately in accordance with the Municipal Finance Management Act.

## Chapter 2

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Statutory Committees

Administrative Committees

The Council has also established administrative committees as follows: -

- a) Audit Committee
- b) Bid Specification Committee
- c) Bid Evaluation Committee
- d) Bid Adjudication Committee

The Audit Committee is established in terms of Section 166 of the Municipal Finance Management Act. It is an independent external committee, which provides an oversight function over the financial management and performance of the Municipality.

The Municipal Supply Chain Management Regulations require a committee system for competitive bids, consisting of a Bid Specification, a Bid Evaluation and a Bid Adjudication Committee.

The Bid Specification Committee compiles the specifications for all goods or services procured by the municipality.

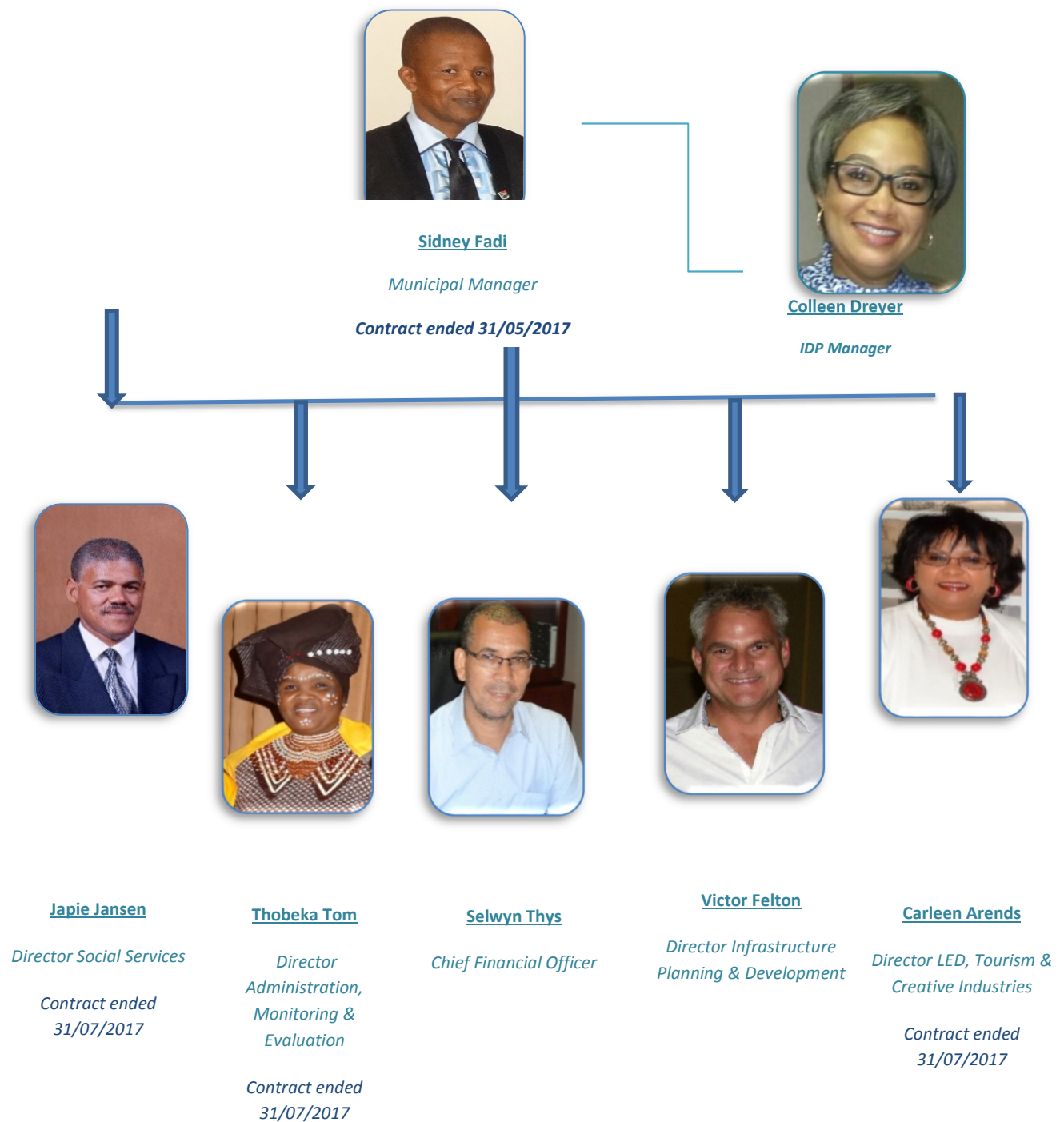
The Bid Evaluation Committee evaluates bids in accordance with the specifications for a specific procurement, and the points system set out in the SCM (Supply Chain Management) Policy and Regulations and as prescribed in terms of the Preferential Procurement Policy Framework Act.

The Bid Adjudication Committee considers reports and recommendations of the bid evaluation committee, and makes a recommendation to the Accounting Officer to make the final award; or makes another recommendation to the Accounting Officer on how to proceed with the relevant procurement.



# Chapter 2

## 2.2 ADMINISTRATIVE GOVERNANCE



# Chapter 2

## INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

In terms of the MFMA section 60(b), the Municipal Manager of a municipality is the accounting officer and must provide guidance on compliance with this Act to political structures, political office bearers, and officials of the municipality.

As head of administration, the Municipal Manager ensures that the municipality is managed in accordance with all legislation applicable to local government. He undertakes various administrative responsibilities in relation to Council such as advising the political structures and political office bearers of the municipality; managing the communications between the municipality's administration and its political structures and office bearers; and carrying out the decisions of the political structures and political office bearers of the municipality. In addition, he has human resources related responsibilities to ensure that the municipality has the requisite human resources that are functioning at an optimal level to enable it to deliver on its mandate.

As the accounting officer, the Municipal Manager is responsible for general management of municipal finances, including: asset and liability management, revenue and expenditure management and budget implementation. In his role as accounting officer, he must also assist the Mayor in performing the budgetary functions assigned to the Mayor in terms of Chapters 4 and 7; and provide the Mayor with the administrative support, resources and information necessary for the performance of those functions.

There are six Directorates which report to the Municipal Manager. Each Directorate is responsible for a Cluster (thematic area):

Social Services

Administration, Monitoring & Evaluation & Special Projects

Local Economic Development

Tourism & Creative Industries

Infrastructure Planning & Development

Finance Services

The organogram is being reviewed with the aim of creating alignment and to give effect to Council's vision, mission and strategy.

# Chapter 2

## COMPONENT B: INTERGOVERNMENTAL RELATIONS

### 2.3 INTERGOVERNMENTAL RELATIONS

The Kouga Intergovernmental Relations Forum (IGR) consists of representatives from the Kouga Municipality, Sarah Baartman District Municipality, sector departments, parastatals and government agencies. The Forum is chaired by the Mayor.

The purpose of the forum is to:

- Consider and coordinate service-delivery continuity measures
- Provide a forum for sharing best practices and learning
- Facilitate communication on, and formulating joint responses to provincial and district policy and legislative processes
- Consider any other matters referred to it by either the municipality or sector departments
- Promote inter-sectoral dialogue and mediation in case of disputes between the municipality and other structures
- Ensure that there are coordinated programmes of implementation and the necessary structures with regard to such issues as, but not limited to, rural development, urban renewal, safety and security, local economic development, infrastructure development, HIV/Aids and special programmes
- Promote and enhance the principles of integrated governance at local level by strengthening cooperation between municipalities, sector departments and any other relevant stakeholders.

During the year under review Kouga IGR structure did not function, due to the fact that the sector departments were not attending and sometimes there not being a quorum resulting in postponement of meetings.

Kouga Municipality continued to build on its relationship with sector departments during the year under review. Several multimillion-rand bulk infrastructure projects were

## Chapter 2

successfully implemented together with sector partners such as the Eastern Cape Department of Human Settlements and the Department of Water and Sanitation.

The municipality was also an active participant in intergovernmental structures such as the Municipal Managers Forum, driven by the Eastern Cape Government. Sector departments further participated in the review of the Integrated Development Plan (IDP) through structures such as the IDP Representative Forum.

No meetings of the Kouga Intergovernmental Forum took place in 2016/2017 financial year. A key challenge has been defining the Forum's role in relation to the many other intergovernmental engagements that take place on a daily basis.

### COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

#### 2.4 PUBLIC MEETINGS

Kouga engaged with communities at commemorative events, public hearings, workshops, project launches and meetings during the 2016/2017 reporting period. The table below illustrates the public meetings and events that were held:

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### PUBLIC PARTICIPATION PROGRAMME 2016/2017

DATE	PROGRAMME	VENUE
18 July 2016	Mandela Day	Kwanomzamo
28 AUGUST 2016	Prayer for Elections	Kwanomzamo Community Hall
27 September -13 December 2016	Establishment of Ward committee members	15 Wards
05 November 2016	Ward based planning training	Humansdorp Country Club
14 March 2017	Home Affairs/Kouga Stakeholders Forum	Humansdorp Council Chamber
7 April 2017	Public Participation Week	Humansdorp Council Chamber
21 April 2017	Moral Regeneration Movement Establishment	Humansdorp Country Club
26 May 2017	Roll-Out Session of The Customary Male Initiation Act	Humansdorp Country Club
26 May 2017	Public meeting on Ocean View Housing Development	Tokyo Sexwale Sports field
7 June 2017	Public Participation Week	Councillor's Office
20 June 2017	Ward Councillors meeting	Jeffreys Bay Council Chamber
24 June 2017	Induction for Ward Committees	Kruisfontein Civic Centre

## Chapter 2

### 2.4 IDP PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes
* Section 26 Municipal Systems Act 2000	

#### IDP Review 2016/17

The period of review was for 2016/17 of the 2012-2017 (five year) IDP. This was the final review of the 3<sup>rd</sup> generation IDP cycle.

The review period started in July 2015 with the adoption of the IDP Process Plan on 31 August 2015 (Council Resolution 15/08/AME12). The Final IDP was approved on 31 May 2016. All the legal requirements as prescribed in Chapter 5 of the Municipal Systems Act were met and the process was fully compliant.

#### Public Participation

2 District IDP Representative Forum Meetings were also held at the District Office in Port Elizabeth where sector departments presented their programmes for the 9 municipalities in the district. The interaction with the sector departments remain crucial to fully integrate and align programmes within the Province.

## Chapter 2



### **Credibility Assessment**

The municipality, during the annual Credibility Assessment of the 2016/17 review received a high rating in all Key Performance Areas which placed the municipality in the category of a benchmark municipality. The assessment took place during December 2016. The written comments of the MEC was received during July 2017. The MEC's comments form the basis of the review process of the 5-year strategic plan of the municipality and the previous year's comments could not be incorporated in the 2017-2022 cycle due to late receipt of the comments.

### **The Key Elements for the 2016/17 review were informed by the following:**

- The 2011 Census released by Statistics SA in December 2013;
- The municipality's performance rating attained for the 2014/15 financial year as well as the mid-year performance for 2015/16;
- Changing circumstances in the municipal area;
- Update of the ward profiles reflecting new priority ward projects identified for the new financial year;
- Re-affirmation of the strategic objectives of Council;
- Update of the sector plans and report on the progress of implementation;

## Chapter 2

- Progress of the performance targets set for each directorate in terms of the SDBIP;
- Assessment of the institutional readiness of the organisation to deliver on the strategic objectives of the IDP;
- Responses to the MEC's Assessment;
- Alignment of the annual financial planning with the priority service delivery and development issues of communities;
- Improved planning between municipalities and other spheres of government to maximise the impact of service delivery to communities;

### Strategic Planning Session

The scheduled strategic planning session was not held. However, the administration reviewed the objectives set during the previous review

### IDP and Budget Alignment

The IDP and Budget was aligned after receipt of comments from the public and was finally incorporated in the IDP under Chapter 10. The following capital funded projects are listed:

PROJECT	AMOUNT
New Melkhout to Jeffreys Bay Main 66Kv line	R 1 573 647
Electrification of Ocean View	R6 000 000
Generator	R500 000
Upgrade Kruisfontein WWTW & outfall sewer	R14 679 134
Patensie replacement of digesters Phase 1	R8 368 626
Patensie Upgrade of WWTW	R500 000
Wavecrest Internal Sewer	R3 730 000
New sewer pump at Cormorant Sewer Pump Station Aston Bay	R1 480 000
Pressure filters at Jeffreys Bay Water Treatment Works	R750 000
Community water supply	R2 000 000
Air-conditioners	R50 000
Motor vehicles	R250 000
Furniture and equipment	R1 898 200
Ablution facility Weston and Kwanomzamo	R200 000
Libraries	
Fencing of existing cemeteries	R500 000
Chairs – community halls	R200 000



## Chapter 2

PROJECT	AMOUNT
Acquisition for wheel chairs	R1 50 000
Upgrade of hydrants	R240 000
Satellite fire station (Oyster Bay)	R400 000
Mesh truck	R1 000 000
<b>Transfer station Patensie</b>	R2 000 000
<b>Transfer station Weston</b>	R350 000
Mini transfer station Thornhill	R350 000
Mini transfer station Oyster Bay	R350 000
4 x skip trucks	R1 000 000
Skip bins	R400 000
New Community Hall Kwanomzamo	R5 500 000
Upgrade sports facilities	R4 321 455
2 x compactor trucks	R2 800 000
LED (Social Institutions & Micro Enterprise Infrastructure	R1 440 485

### District Alignment

The Alignment of the Kouga IDP with the district and sector departments was more intensified during the 2016/17 financial year. 2 IDP Coordinating Committee meetings were held during the review.

### Sector Planning (Attachments to IDP)

The following sector plans were approved during the 2016/17 IDP review.

- SDBIP 2016/17
- Water Services Development Plan
- Integrated Waste Management Plan

### Sector Department Project Listing

The following sector departments submitted projects / programmes being funded for implementation during 2016/17 in the Kouga Area:

- Department of Environmental Affairs
- Department of Water and Sanitation
- Department of Human Settlements
- Department of Sport, Recreation, Arts and Culture
- Department of Roads
- Department of Energy
- South African Social Security Agency

## Chapter 2

The projects/programmes of the abovementioned sector departments were incorporated in the IDP document under Chapter 10.

### Staffing

The IDP Manager was placed in the Office of the Municipal Manager as per recommendation by the MEC. However, the staff shortage still remains a challenge.

## COMPONENT D: CORPORATE GOVERNANCE

OVERVIEW OF CORPORATE GOVERNANCE
Corporate governance has to do with the structures and processes associated with management, decision-making and control in the municipality. Corporate governance is based on principles of conducting business with integrity and fairness, being transparent regarding all transactions, making all the necessary disclosures and decisions, complying with all the law of the land, accountability and responsibility towards the stakeholders and commitment to conducting business in an ethical manner.
The following four ethical values underpin good corporate governance: (a) Responsibility: The Council should assume responsibility for the assets and actions of the municipality and be willing to take corrective action to keep the municipality on a strategic path that is ethical and sustainable.
(b) Accountability: The Council should be able to justify its decisions and actions to its stakeholders and communities. (c) Fairness: The Council should ensure that it considers the legitimate interests and expectations of its communities and stakeholders. (d) Transparency: The board should disclose information in a manner that enables the AG and relevant bodies and communities to make an informed analysis of the municipality's performance and sustainability

# Chapter 2

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## 2.6 RISK MANAGEMENT

Risk management is as much about identifying opportunities as avoiding or mitigating losses. It is a logical and systematic process of establishing the context, analysing, evaluating, treating, monitoring and communicating risks associated with any activity, function or process, in a way that enables an organisation to minimise losses and maximise opportunities.

The drive for local government transformation with limited resources has tended to force municipalities into taking a less conservative approach to service delivery with a proportional increase in their risk exposure. Ongoing local government reforms have provided a broad administrative framework for further improvements to occur. These include more stringent corporate governance requirements, greater flexibility and a focus on results and accountability.

Risk management trends and components already overlap with those of internal auditing, performance management, programme and project management, financial management, change management, customer care, communication, etc. and require incremental inclusion in current and future plans of the entire organisation.

The management of risk by implication is a managerial function, even though individual sections, departments and directorates differ in their exposure and reaction to risks and thus departments, sections and individuals form a vital part of the overall risk management process within the Municipality.

In our continuously changing governance environment it is imperative that Council remains updated on key changes and challenges and how these effect the operation of business in today's environment. This will not be achieved without an effective, efficient, soundly funded and managed risk strategy that seeks to maximise its impact on the organisation with minimum resources at its disposal.

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National Treasury Public Sector Risk Management Framework affirms that no organisation has a luxury of functioning in a risk-free environment and public institutions are especially vulnerable to risk associated with fulfilling their mandates.

The table below indicate the top five risks within the Municipality:

Top Five Municipal Risks			
Risk no.	Risk category	Risk description	Risk background
1	Infrastructure and basic services	Ageing plant and equipment	<ul style="list-style-type: none"> <li>Plant, transport and equipment are ageing</li> <li>No policy on replacement of vehicles</li> <li>Inadequate maintenance plan (lack of spare parts, replacement policy)</li> </ul>
2	Good governance and public participation	Non-compliance with Occupational Health and Safety Act  Poor records management	<ul style="list-style-type: none"> <li>No appointed medical practitioner accountable for Occupational Health and Safety appointed by KM</li> <li>No schedules for inoculations and check ups</li> </ul> Insufficient first aid training and first aiders <ul style="list-style-type: none"> <li>Non-compliance to archive policy</li> <li>Non-disposal of old records</li> </ul> Implementation of the file-plan
3	Financial viability and management	Inefficient revenue collection	<ul style="list-style-type: none"> <li>No recovery plan in place</li> <li>Backlog maintenance exacerbates the problem</li> </ul>
5	Infrastructure and basic services	Lack of bulk infrastructure	<ul style="list-style-type: none"> <li>Incorrect allocation of funding to maintenance</li> <li>Poor refurbishment and replacement of current assets (water, pump stations sewage, storm water, electricity, Internal networks - water pipes)</li> <li>Lack of funding</li> <li>Lack of planning</li> <li>Lack of master plan in place</li> <li>No provision for capital reserve</li> </ul>

# Chapter 2

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## 2.7 ANTI-CORRUPTION AND FRAUD

Section 83(c) of the MSA refers to the implementation of effective bidding structures to minimise the possibility of fraud and corruption and the Municipal Finance Management Act (MFMA), section 112(1) (m)(i) identifies supply chain measures to be enforced to combat fraud and corruption, favoritism and unfair and irregular practices. Section 115(1) of the MFMA states that the Accounting Officer must take steps to ensure mechanisms and separation of duties in supply chain management system to minimise the likelihood of corruption and fraud.

The Anti-corruption strategy and fraud prevention strategy were both approved on the 29 May 2015. There were no corrupt practices reported and therefore the employees seem to be aware of the section 3 contained in the Prevention and Combating of Corrupt Activities Act (No.12 of 2004). A Fraud Risk Assessment was conducted on the 1<sup>st</sup> of March 2017 and the Fraud Risk Register was updated.

## 2.8 SUPPLY CHAIN MANAGEMENT

In the 2016/2017 Financial year invalid deviations of R6,275,913 were declared as irregular.

# Chapter 2

## 2.9 BY-LAWS & POLICIES

### FINANCE

NO.	POLICY NAME	STATUS OF POLICY	NEW NO.
1.	Procurement Policy  a) Supply Chain Management Policy b) Supply Chain Management Policy for Infrastructure Procurement and delivery Management- adopted	To be reviewed  Adopted	F03
2.	Borrowing Policy	Adopted: 31 May 2016	F33
3.	Financial Code and By-laws	To be reviewed	F06
4.	Accounting Policy	To be reviewed	F07
5.	Tariff Policy	To be reviewed	F09
5.	Cash Management and Investment Policy	Adopted: 31 May 2016	F32
6.	Policy on Cheque Signing Authority	To be reviewed	F11
7.	Risk Management Policy	To be reviewed	F12
8.	Cost Control Functions for Votes	To be reviewed	F13
9.	Fleet and Asset Management Policy	Draft	F15
10	Funding & Reserves Policy	Adopted: 31 May 2016	F34
11.	Audit Committee Policy	Adopted: 29 May 2015	

## Chapter 2

### SOCIAL SERVICES

NO.	POLICY NAME	STATUS OF POLICY	NEW NO.
1.	Disaster Management Plan	Adopted: 29 May 2015	SD01
2.	Coastal Management Plan	Adopted: 29 May 2015	
3.	Hunting on Commonages	Draft	SD2
4.	Spaza / House Shops	Draft	
5.	Pauper and Social Burial Policy	Adopted: 29 May 2015	
6	Youth Policy	Adopted: 29 May 2015	

### TOURISM

NO.	POLICY NAME	STATUS OF POLICY	NEW NO.
1.	Events & Entertainment Policy	Adopted: 29 May 2015	T01

### ADMINISTRATION

NO.	POLICY NAME	STATUS OF POLICY	NEW NO.
1.	Standing Rules of Order	Adopted – 29 July 2016	A02
2.	Policy and Procedures for the Disposal of Immovable Capital Assets	To be reviewed	A06
3.	Public Participation Policy	Adopted: 29 May 2015	A07

## Chapter 2

NO.	POLICY NAME	STATUS OF POLICY	NEW NO.
4.	Anti-Corruption and Fraud Prevention Policy	Adopted: 29 May 2015	A09
5.	Policy on Legal Representation	To be reviewed	A10
6.	Policy on the Closure of Meetings and the Marking of Confidential Items	To be reviewed	A11
7.	Promotion to Access to Information Policy	To be reviewed	A13
8.	Records Management Policy	Adopted: 29 May 2015	A14
9.	Registry Manual	Draft	A16
10.	Policy on Municipal Honors	Draft	A17
11.	Policy on Ward Committees	Adopted: 29 May 2015	A18
12.	Policy of attendance of Workshops, Meetings and Conferences	To be reviewed	A19
13.	Catering Policy	To be reviewed	A20
14.	Communication Strategy	Draft	A21
15.	Language Policy	Draft	A22

### 2.10 WEBSITES

The municipal website, which can be found at [www.kouga.gov.za](http://www.kouga.gov.za) is one of the most important communication tools available to the municipality. It is updated regularly and used to disseminate a wide variety of information to the public and other interested parties.

This information includes reports and documents which municipalities are legally required to make public such as the Integrated Development Plan (IDP) and the



## Chapter 2

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Medium-Term Revenue and Expenditure Framework (MTREF), as well as monthly finance reports which are compiled and published in accordance with the Municipal Finance Management Act (MFMA) and Division of Revenue Act (DORA).

Tender advertisements, notices and vacancies are also published on the website to as to ensure as wide a reach as possible. Other information placed on the website includes municipal contact numbers, events and media releases. Application and registration forms can also be downloaded from the website.

The following documents must appear on the website after being approved:

- Annual Report
- Integrated Development Plan
- Service Delivery Budget Implementation Plan
- Performance Agreements of s57 and s56 managers
- List of disposed assets
- Supply Chain Contract
- Long -term borrowing contracts
- Public Private Partnership Agreements
- Service Delivery Agreements
- Section 52 (d) reports for the 4th quarter

Some of these documents are reviewed annually and approved by Council, which means that on each occasion these documents are approved by Council, it must be updated and placed on the website. As the municipality, we do comply with section 75 of MFMA, as our IDP, SDBIP, Annual Report and Supply Chain Management bid results are loaded in the website. We also advertise vacancies on the municipal website and local newspaper as well as in Provincial and National newspapers. The rate payer's accounts are linked to the website and communities that have access to internet, can access to our website.

## Chapter 2

Municipal Website: Content and Currency of Material			
Documents published on the Municipal Website		Yes/No	Publishing date
1	Adjustment budget 2016/17	Yes	9 March 2017
2	Mid-Year and Performance Report 2016/17	No	N/A
3	Final IDP 2017/18	Yes	2 June 2017
4	All budget policies	Yes	N/A
5	All service delivery agreements	No	N/A
6	All long-term borrowing contract	No	N/A
7	All SCM contract above R100 000 per quarter	No	N/A
8	Public-private partnership agreements	N/A	N/A

### 2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

The sixth annual Customer Satisfaction Survey was conducted in the last quarter of the 2016/2017 financial year.

The survey was the last of the five-year IDP cycle of 2012 to 2017, hence it took the same format as previous surveys despite a new Council having been elected in August 2016. A new survey form, aligned to the new IDP for the period 2017 to 2022, will be developed for future use.

The survey is viewed as a public participation tool which helps the municipality to get a sense of how the community measures the performance of the municipality in relation to its core mandate of service delivery.

The survey is a platform for residents to air their views without the pressures of time or audience. Participants are also not required to identify themselves and this allows those wishing to remain anonymous to be granted that status.

The survey was conducted in all three of Kouga's main spoken languages, i.e., English, Afrikaans and IsiXhosa.

The study was conducted using survey forms distributed to the public for completion. The forms were divided into three categories with sub-sections and a scoring method provided on each form.

## Chapter 2

SERVICE DELIVERY	<ul style="list-style-type: none"><li>• Water</li><li>• Electricity</li><li>• Sanitation</li><li>• Roads and Storm water</li><li>• Refuse Removal</li><li>• Parks and Open Spaces</li><li>• Halls and Sports Fields</li><li>• Fire and Emergency Services</li><li>• By-law enforcement and traffic</li><li>• Rates and Accounts</li></ul>
GOOD GOVERNANCE	<ul style="list-style-type: none"><li>• Ward Committees</li><li>• Access to Information</li><li>• Council Meetings</li><li>• Administration</li><li>• IDP and Performance Management</li></ul>

The scoring method to express satisfaction was as follows:

*1 = Extremely Poor;*

*2 = Poor;*

*3 = Satisfactory;*

*4 = Good;*

*5 = Excellent*

The forms were available at all units and Ward Councillors Offices. Residents could also download electronic versions of the form from our website. The survey was further emailed to civic structures for distribution to their members. The campaign was publicized in community newspapers, our website and Facebook page.

Notable in this year's survey were the significant increase in the number of participants from two of Humansdorp's wards and the sharp, and quite surprising, decline in participation from the St Francis Bay area that always constituted the majority and were our reliable electronic participants.

Together with St Francis Bay, the towns in the Gamtoos Valley showed poor returns, with numbers too low to consider. i.e. none of the towns reached ten participants.

Together, the Humansdorp and the Jeffreys Bay areas accounted for 92 participants and these were the ones that were considered for the survey. This compares slightly better to last year's 61 which was the lowest in all the years the survey was conducted.

The total scores for this round of the survey are listed below, per category and together with the final total score:

*Service Experience – 3 (2,628568)*

## Chapter 2

Service Delivery – 3 (2,894448)

Good Governance – 3 (2,632472)

**TOTAL SCORE – 2,671996**

### CHAPTER 3 – SERVICE DELIVERY PERFORMANCE

#### COMPONENT A: BASIC SERVICES

##### 3.1. WATER PROVISION

The Constitution of South Africa assigns the responsibility of ensuring access to water services to Local Government. Furthermore, the Water Services Act entrusts the local municipality with provision of affordable, efficient, effective on-going water services which is sustainable. The Directorate Infrastructure, Planning and Development envisages an area that is supported by an efficient and well-maintained service infrastructure network, which allows all citizens and stakeholders access to a growing base of innovative, safe, reliable and affordable services. Service delivery requires the provision of new services as well as the maintenance of existing services.

The Present Consumer Water Quantities are:

**Table 1:**

TOWN	RESIDENTIAL ERVEN	INSTITUTIONAL/COMMERCIAL/INDUSTRIAL NUMBER OF ERVEN	TOTAL No OF ERVEN
HUMANSDORP	6174	373	6547
JEFFREYS BAY (incl Aston Bay and Paradise Beach)	11204	1419	12623
ST. FRANCIS BAY	3456	48	3504
CAPE ST FRANCIS	810	3	813
OYSTER BAY	555	13	568
HANKEY	2674	84	2758
PATENSIE	784	67	851
LOERIE	471	13	484
THORNHILL	491	13	504
<b>TOTAL</b>			<b>28652</b>

Note: Source information: ACIP Water Conservation and Demand Management survey 2014/2015. Total erven are all registered cadastral erven, including audited vacant stands.

# Chapter 2

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## Key Stakeholders

The Towns of Hankey and Patensie obtain raw water from the Kouga Dam via the canal system which is operated by the Gamtoos Irrigation Board on behalf of the Department of Water and Sanitation. Raw water is treated at the Patensie and Hankey water treatment works to potable standard before distribution.

The towns of Loerie, Thornhill, Jeffreys Bay, Humansdorp and St Francis Bay obtain potable water from the Nelson Mandela Metro. The water supply of Jeffreys Bay and Humansdorp are augmented by underground water. The town of Oyster Bay is solely dependent on ground water obtained from boreholes and springs.

## Level and Standard in Water Services

All the consumers within the Kouga Municipality receive water services at or above RDP standards (access to communal water standpipe in informal areas within 200m distance). Based on the Service Level Policy of Kouga to provide higher level of service, first order of assessment indicates that Kouga requires R77 million to service and provide house connections to all residents in informal settlements once formalized (excluding Bulk). Our Regional Bulk Infrastructure Program for water services requirement is estimated to be R 616 million.

Kouga Municipality is committed and endeavours to conform to the norms and standards of SANS 214 and Blue drop requirements with regards to water quality.

The project to address the removal of high levels of dissolved iron and manganese from the borehole water in Upper Wavecrest Jeffreys Bay, was implemented during 2016/2017. Funding to implement this project was received from the Department of Water and Sanitation through the ACIP (Accelerated Community Infrastructure Program) to the amount of R 2,000,000.00 and own capital counter funding to the amount of R750, 000.00

The project involved the construction of a contact canal through which the mentioned borehole water flow and is dosed to the correct pH level to facilitate the removal of the high concentrations of iron and manganese from the borehole water. The capacity of the contact canal is 50l/s and provides a retention time of 40min. The sedimentation formed is removed by the sand filters.

During the project, three (3) new gravity filters with filter medium were also installed.

The results of chemical testing for iron and manganese of the final water indicates that the water is within and below the acceptable limits as required by SANS 214.

## Chapter 2



### **Major Challenges in Water Services and Remedial Actions**

The development of a long-term water provision master plan with reference to the upgrading and rehabilitation of Bulk Infrastructure is still outstanding. Funding for the appointment of a professional service provider to prepare such Master Plan is required.

The bulk water service level agreement with the Nelson Mandela Metro remains in draft form and this agreement needs to be finalised and concluded.

The high vacancy rate of personnel within the water section remains a concern. The appointment of suitably trained and qualified artisans, process controllers and plumbers are required.

The functions related to the Water Services Authority are severely constrained due to long standing critical vacancies especially the post of WSA Manager which has been vacant since 1 May 2015.

Addressing and the curbing of water losses/unaccounted water, due to ageing infrastructure (pipe breaks and leaks) remains an on-going challenge.

The provision of adequate funding, for the upgrade and replacement of aging water infrastructure, especially pipe reticulation networks remains a challenge.

# Chapter 2

## 3.2 WASTE WATER (SANITATION) PROVISION

### **Sanitation Service Delivery Strategy and Main Role Players**

The policy of Kouga LM, adopted during 2015, that the minimum acceptable standard for sanitation services will be a waterborne system in all areas.

Due to the limited own capital funding for projects, bulk infrastructure upgrading/rehabilitation is mostly funded by grant funds.

The majority of MIG (Municipal Infrastructure Grant) funds were allocated to sewer related projects during the 2016/2017 year. These projects included the following:

- Upgrade of Kruisfontein Waste Water Treatment Works (2015-2017 project implementation life span). MIG allocation for 2016/2017 was R28,719,398.27. Work on this project is progressing well with most of the civil work component nearing completion, with only the mechanical and electrical work outstanding. This project is due for completion during the 2017/2018 financial year.
- Patensie: Ramaphosa Village: Replacement of Digesters with Waterborne Sanitation. MIG allocation for the 2016/2017 was R 7,090,301.73. This project was completed during June 2017 and 573 erven was provided with a sewer connection to the waterborne reticulation network.

A tender was awarded during September 2015 for the appointment of a contractor to connect houses in Upper Wavecrest, still making use of conservancy tanks, to the waterborne network. The total cost of this project is R 6,255m. As a result of internal challenges, the performance of the appointed contractor was problematic, resulting in a delay in the completion of the project. A total of 137 erven were provided with a sewer connection to the waterborne sewer reticulation.

The backlog that presently exists at all Kouga Waste Water Treatment Plants in terms of over capacitation and ageing Infrastructure, is 10,5 Ml/day.

During 2016/2017 the services of a Professional Service Provider was procured for the development of a Sewer Master Plan for the Humansdorp area. This project was funded by the Department of Human Settlements and completed during 2016.

### **Levels and Standards in Sanitation Services**

Four (4) levels of sanitation services are provided i.e. buckets only for the informal housing areas, 60% full waterborne, 37,1% with septic tanks/conservancy tanks and the next is digesters and/or VIP's (Ventilaters Improved Pit).



## Chapter 2

The following table sets out the regarding sanitation within the Kouga Local Municipality

TOWN	TYPE							
	Bucket	Conservancy tank	Chemical toilets	Pit latrine	Septic tank	Small bore	VIP	Water borne
Cape St Francis/ St Francis Bay/ Sea Vista	540	3532	18	-	-	-	-	785
Hankey	439	837	0	-	-	-	420	1 501
Humansdorp	1 568	939	36	-	-	-	-	5 608
Jeffrey's Bay	787	3 203	26	-	539	-	-	8 881
Loerie	260	12	5	-		150	-	334
Oyster Bay	117	100	7	-	468	-	-	-
Patensie	470	229	29	-	49	-	-	573
Thornhill	160	0	8	-	-	-	-	504
<b>Total</b>	<b>4 341</b>	<b>8 852</b>	<b>129</b>	<b>-</b>	<b>1 056</b>	<b>150</b>	<b>420</b>	<b>18 186</b>

Note: Buckets and Chemical toilets serve informal settlements

### Annual Performance as per Key Performance Indicators in Sanitation

The goal of the Municipality is to provide all consumer units with a full flush form of sanitation. As can be seen from the above table, 18 186 of the consumer units are already serviced with full waterborne/small bore sanitation, and 9 908 being served by septic/conservancy tanks.

As indicated earlier, all the projects being implemented and planned in the Municipality are geared to achieving the above goal.

### Challenges

- Funding is required to provide households making use of conservancy tanks with full waterborne reticulation.
- Upgrade of sewer pump stations and rising mains to increase capacity.
- Provide standby generators at all sewer plants and pump stations.
- Replacement of aging vehicle fleet, especially suction tankers.
- The appointment of qualified process controllers and plumbers.
- Funding for the development of sewer master plans for each town in Kouga. Excluding Humansdorp



# Chapter 2

## 3.3 ELECTRICITY

### **Electricity Services Delivery Strategy and Main Role-Players**

The Kouga Municipality is the registered Supply Authority for the towns of Humansdorp, Jeffrey's Bay, St Francis Bay, Cape St Francis and Oyster Bay, where at each town bulk supply is taken from the Eskom grid. Maintenance of the above networks is done by Kouga Municipality.

The Municipality's role is to construct, operate, and maintain the distribution network for electricity service delivery to residential, commercial and industrial consumers in each township, which includes street lighting and supplying pump stations, etc. Hankey, Patensie, Loerie and Thornhill also fall within the Kouga municipal boundary, but consumers in the first three (3) towns are serviced with electricity by Eskom, and Thornhill by the Nelson Mandela Municipality



## Chapter 2

### THE PRESENT CONSUMER QUANTITIES FOR ELECTRICITY ARE:

Town	Consumers	Institutional/Commercial/ Industrial	Total
Humansdorp	6560	374	6934
Jeffreys Bay	9895	625	10520
St Francis Bay	2032	93	2125
Cape St Francis	507	7	514
Oyster Bay	406	10	416
<b>Total</b>	<b>19400</b>	<b>1109</b>	<b>20509</b>

Note: Total excludes vacant erven.

The key factors in the service delivery strategies are to maintain a high standard of service and to ensure that electricity is available to all commercial properties, households (both formal and informal) and new development within acceptable norms. To reduce the financial burden on consumers, particularly in terms of the capital requirements for new distribution networks, applications were made to all relevant institutions for financial assistance in a well-planned manner.

### Level and Standards in Electricity Services

The aim is for the levels and standards for the provision of the electricity services, to be compliant with the requirements of the National Electricity Regulator (NER) and the quality of service and supply standards of NRS 047 & 048. Annual reports in this regard were submitted to NER based on information obtained from data loggers installed at various locations in the network.

Electricity is made available to all potential consumers in the areas for which the Municipality has a supply license. The target is revised annually in accordance with the demand and the necessary steps are taken to timeously complete the work.

This includes applications to the Department of Energy (DoE) to obtain the necessary funding for both electricity and infrastructure upgrade. MIG funding is used for the provision of area / street lighting in low cost housing areas.

During 2016/2017 the Department of Energy allocated Kouga Municipality funding to the amount of R6m for the upgrade of bulk infrastructure and the electrification of houses in Donkerhoek (Kruisfontein) Humansdorp. A total of 247 erven were electrified during 2016/2017 in the following areas.

- Donkerhoek Humansdorp (Ward 4) = 247 erven

Upgrade 22kV underground cable network in Kruisfontein (Ward 5)

## Chapter 2

### Annual Performance as per Key Performance Indicator in Electricity Services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the FY under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Households with access to electricity services	21837	247	247	247	100%
2	Indigent households with access to basic electricity services	5345	2139	247	247	100%
3	Indigent households with access to free energy sources	0	0	0	0	0%

### Major Challenges in Electricity Services and Remedial Actions

- The upgrade of infrastructure (primary network) to meet future demand and finding the necessary funds through grants etc.)
- Improve quality of supply and general service delivery.
- The prevention of tampering and illegal connection.
- Training and capacitation of staff.
- Appointment and retaining qualified employees
- Ageing vehicles and equipment

### Remedial Actions

- Master planning and stringent programs to implement measures.
- Annual Review of augmentation levy (contribution by new developments and existing consumers requiring upgrading of their supplies to augment the primary network) and consumption tariffs to meet capital program to upgrade infrastructure is undertaken.
- Appoint additional staff to monitor quality supply and level of services, and enforce methods to rectify any deficiencies in the electrical supply. Staff to attend more training courses, to improve in-house training, particularly on safety aspects.
- Provide incentives to maintain qualified staff.
- The appointment of a service provider to investigate and prevent tampering.

# Chapter 2

## 3.4 WASTE MANAGEMENT

### SOLID WASTE & ENVIRONMENTAL MANAGEMENT

#### Overview

This department includes all activities relating to the management and control of landfill sites, illegal dumping and Environmental Management.

#### The function includes the following activities:

- Rehabilitation, Operation, Maintenance of Landfill Sites.
- Removal of illegal dumping
- Coastal Management
- Management of a Blue Flag Beach
- Environmental Controls

**The strategic objective** of this department is that all the communities of Kouga Municipality live in a clean environment that is maintained and managed in a sustainable manner.

#### Key issues for 2016/17

- Kouga Municipality was again awarded with full Blue Flag status for 2016/17 for Dolphin Beach in Ward 11.
- The process for piloting Blue Flag status in Cape St Francis has commenced during 2016/17 festive season and is ongoing until full Blue Flag status is achieved. To Correct dates
- The Municipality was allowed to participate in the Coast Care programme which is funded by the National Department of Environmental Affairs (November 2017 – April 2018), 68 EPWP's were appointed in all Coastal Wards which is ward 1, 12,14,15 and 7.
- In March 2017 the Department of Solid Waste has purchased 20 skip bins for the control of illegal dumping.
- The tender for the Upgrade of Oyster bay refuse site was finally awarded in May 2017 and the project has commenced.

#### Stakeholders involved in this Department:

1. Beach Committee that consists of:
  - Residents
  - APD (Association for people with disabilities)
  - Environmental Affairs
  - Municipal Officials

## Chapter 2

### 2. Project Advisory Committee (Coast Care):

Implementer

Project Manager (Department of Environmental Affairs)

Councillors: -

- Cllr D Benson
- Cllr A Rheeder
- Cllr Z Mayoni
- Cllr T Meleni
- Cllr S Mandeka
- Cllr C Februarie
- Municipal Officials
- Blue Flag Steward

### 3. Project Advisory Committee (Waste):

Implementer

Project Manager (Department of Environmental Affairs)

Main Contractor

Engineers

Councillors:

- Cllr D Benson
  - Cllr S Jujwana
  - Cllr A Rheeder
  - Cllr Z Mayoni
  - Cllr S Mandeka
- Municipal Officials

### Waste Disposal Facilities

Waste Site	Service Areas	Licensed	Compliance with Permit	Infrastructure & Other backlogs	Progress
Humans dorp	Jeffreys Bay, St Francis Bay, Humansdorp	Yes, Council assisted by Consultants Kv3	80%	Material Recovery Facilities (MRF) e.g. Bailing Machines, Concrete Floors, Covering of Structure.	Still in progress
				Weighbridge (Achieved)	Complete
			50%	Waste Minimization Processes	Complete
			60%	Fencing	Complete
			0%	Security	No progress
			0%	Suitable qualified/ specialists staff	No progress
Hankey	Loerie, Thornhill, Andrieskraal	Yes	100%	Electronic Information System (Slab only) and weigh pad	Complete

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			20%	Waste Minimization Processes	Not achieved
			60%	Security Fencing (Achieved)	Complete
			0%	Suitable qualified/ specialists staff	Not achieved
St Francis	St Francis	No	60% Closure permit received	Closure Permit/suitable land for drop-off zone for St Francis Bay is still not allocated	In progress
Oyster Bay	Oyster Bay Transfer Station	No	40%	Tender for the Upgrade of Oyster Bay Mini Transfer Station was awarded in May 2017. The contractor commenced on Site on 03 July 2017. The work is in progress.	In progress
Patensie	Patensie	Yes (Closure Permit was received July 2014)	60%	Procurement has been initiated	In progress

### Total Projects

Strategy	Project Description	Department	Ward	Compliance	Budget Cycle
<b>Rehabilitation of existing landfill sites.</b>	Phase 2 of the rehabilitation on St. Francis site	Solid Waste and Environmental Management	1 and 10 10	yes	Procurement has been initiated
<b>Construction of Drop off Zones.</b>	Development of a Drop Off Zones	Solid Waste and Environmental Management	1 and 15	Yes (Jeffreys Bay. St. Francis cancelled because of the suitability of the Site. Patensie needed EIA's.)	R4 500 000 x 3 Areas. Jeffreys Bay- Achieved St. Francis Bay: Suitable land not allocated Patensie: Jan/Feb 2016: Procurement has been initiated
<b>To provide safe and clean environmental, user friendly beaches for Kouga community</b>	Provision of infrastructure and staff for coast care and management	Solid Waste and Environmental Management	Coastal Areas	yes	R12 500 000 (2017/18 Cycle funded by the Dept. Environmental Affairs) 1 ½ year cycle to be completed 2017

## Chapter 2

### Challenges and Possible Solutions

Challenges	Possible Solutions
1. Shortage of staff	Vacancies are included in the list for Critical posts to be filled during the 2017/18 financial year
2. None compliance of Landfill Sites	To be addressed in Phase 2 of the working on waste project which is non-operational
3. Illegal dumping	Skip truck for the control of illegal dumping has been purchased as well as 20 skip bins (should be reflected in the plant and equipment column, Skip truck was not delivered - explain)
4. Plant and Equipment	All the plant and equipment of Solid Waste is non-operational

# Chapter 2

## Refuse Collection



### Overview

The planning, control and alignment of all refuse collection and transportation services that provides for specific waste management measures, will be aligned to the norms and standards in terms of the Waste Management Act and Integrated Management Plan.

### Strategic objectives

That communities enjoy a clean environment that is managed and maintained in a sustainable manner.

### Description of activities

The refuse collection functions of the municipality are administered as follows:

- Waste Avoidance
- Waste Stream Composition
- Waste Characterisation Results
- Domestic Refuse Removal



# Chapter 2

## Waste Avoidance

### Waste Generation Quantities

Information on page 62-page 65 was taken from the Integrated Waste Management Plan.

In order for municipalities to be able to plan for future waste management activities the types and volumes of waste generated in the area needs to be identified. The South Africa State of Environmental Report, 2006 (SOER) calculated waste generation volumes per income level as follows:

- Low income 0.41 kg/ person/ day = 149.65 kg/ person/ year.
- Middle income 0.74 kg/ person/ day = 270.1 kg/ person/ year.
- High income 1.29 kg/ person/ day = 470.85 kg/ person/ year.

The South African State of Environment Report(SOER) data for waste generation are also used in the Department of Environmental Affairs Guideline for the Development of Integrated Waste Management Plans (IWMPs). The DEA IWMP guideline also presents the following income brackets:

- Low income R 0 – R 74,999 per year.
- Middle income R 75,000 – R 999,000 per year.
- High income R 1 million + per year.

The following table summarises the average household income in the Kouga Municipal area. It is assumed that the numbers of people residing in high, middle and low-income households are the same.

Table 1: Summary of household income in the KLM

INCOME GROUP	INCOME P/A	PERCENTAGE	NUMBER OF PERSONS
Low	No income	28.07	26116.3
	R1 - R4,800	3.03	2818.4
	R4,801 - R9,600	3.54	3293.2
	R9,601 - R19,600	13.70	12743.6
	R19,601 - R38,200	6.71	6239.8
	R38,201 - R76,4000	39.03	36316.5
Middle	R76,401 - R153,800	3.03	2817.5
	R153,801 - R307,600	1.96	1822.5
	R307,601 - R614,400	0.61	564.6
	R614,001 - R1,228,800	0.16	153.2
High	R1,228,801 - R2,457,600	0.10	95.7
	R2,457,601+	0.06	59.1

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Based on these assumptions the population of KLM (Kouga Local Municipality) per income bracket is as follows:

- Low income: 94.8 %
- Middle income: 5.76 %
- High income: 0.17 %

Based on the number of persons per income bracket it is estimated that 40.1 tonnes of waste per day is produced in KLM. Based on the calculation of 40.1 tonnes of household waste per day it is estimated that 14,618.56 tonnes of waste are generated annually in the KLM.

## Estimated Future Generation Quantities

Predictions on future waste generation quantities are dependent on population growth, the extent of collections and any changes in economic landscape of the KLM. The population size of the KLM increased by 3.22% between the periods 2001 and 2011, from 71,390 in 2001 to 98,558 in 2011 and 112 941 (Community Survey 2016) likely due to migration to find work or educational opportunities (Stats SA, 2013). Considering these factors, as well as the fact that significant economic changes are unlikely in the short to medium term, it is likely that the amount of solid waste generated in the KLM will increase by roughly 2-5% over the next 5-10 years.

*Note: All the calculations and information stated above is derived from the Integrated Waste Management Plan (IWMP) review.*

## Waste Stream Composition

A waste characterisation exercise was undertaken for the KLM by GIBB Engineering & Architecture in the 2<sup>nd</sup> half of 2015. The following sections describe how the characterisation was undertaken and the results.

## Methodology

Waste was surveyed from a high-income area in Jeffreys Bay (Wavecrest), a medium income area (Humansdorp town), and a low-income area (Humansdorp indigent residential area, Vaal dam).

Waste was collected from a randomised selection of 10 households per income area. All the waste put out for collection at each of these houses was collected to ensure the results were not skewed due to any type of separation of waste types into different black bags. Waste was collected on the weekly collection day, labelled, and transported to Humansdorp for characterisation. A total of 42 black bags were collected from Jeffery's Bay, 40 black bags from Humansdorp and 29 black bags from Vaal dam.

Waste was sorted by hand into 21 different categories of recyclable and non-recyclable waste, including six categories of plastics.

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1. High quality paper e.g. office paper
2. Paper other e.g. magazines, newspapers and plasticized paper
3. Corrugated cardboard e.g. packing boxes
4. Non-corrugated cardboard e.g. cereal boxes
5. Metal e.g. cans, tins, foil
6. E-waste e.g. cell phones, PC components, electrical equipment
7. Organics – garden waste e.g. grass cutting, leaves
8. Organics – food waste e.g. kitchen waste, vegetable peelings
9. PET plastic e.g. soft drinks bottles
10. PE-HD plastics
11. PVC plastics
12. PE-LD plastics
13. PP plastics
14. Polystyrene plastics
15. Glass
16. Construction waste e.g. bricks
17. Hazardous waste e.g. batteries. Fluorescent bulbs, paints
18. Health care risk waste e.g. sharps, medication
19. Nappies
20. Other e.g. material, furniture, clothes
21. Fines, material too small to sort

Each of the categories of waste were weighed individually and recorded.

### Waste Characterisation Results

The results for the domestic waste stream characterization are presented in the table and figure below.

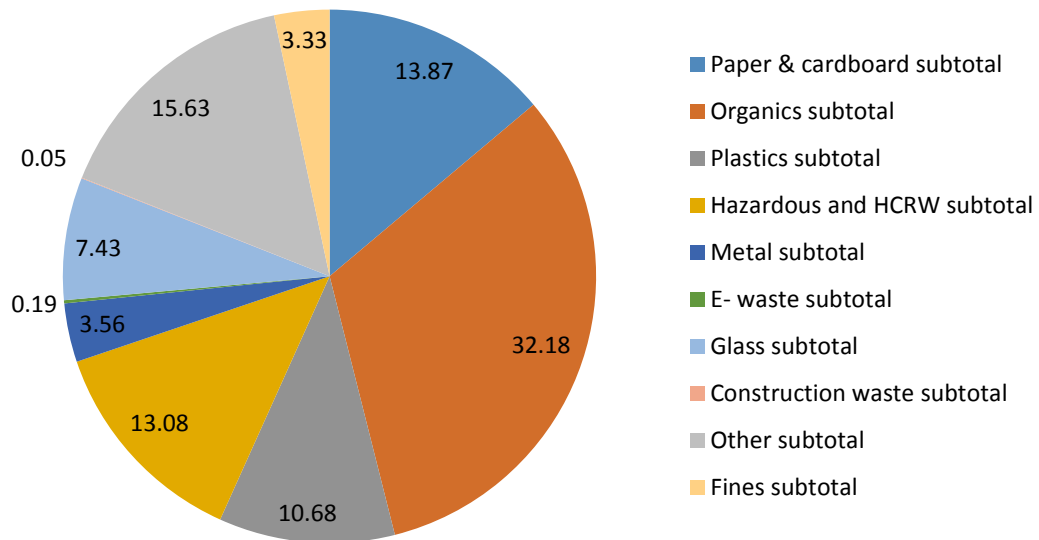
WASTE CATEGORY	TOTAL QUANTITY (KG) LOW INCOME	TOTAL QUANTITY (KG) MEDIUM INCOME	TOTAL QUANTITY (KG) HIGH INCOME	SUM TOTAL QUANTITY (KG)	% OF WASTE STREAM
High quality paper	0.52	0.36	1.08	1.96	0.30
Paper other	8.26	14.62	23.04	45.92	6.99
Corrugated cardboard	4.98	4.72	6.4	16.1	2.45
Non-corrugated cardboard	7.96	10.3	8.52	26.78	4.08
<b>Paper &amp; cardboard subtotal</b>	<b>21.72</b>	<b>30</b>	<b>39.4</b>	<b>91.12</b>	<b>13.87</b>
Organics - garden waste	0	67.46	9.16	76.62	11.66
Organics - food waste	36.44	45.8	52.64	134.88	20.53

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WASTE CATEGORY	TOTAL QUANTITY (KG) LOW INCOME	TOTAL QUANTITY (KG) MEDIUM INCOME	TOTAL QUANTITY (KG) HIGH INCOME	SUM TOTAL QUANTITY (KG)	% OF WASTE STREAM
Organics subtotal	36.44	113.26	61.8	211.5	32.18
PET Plastic	3.54	3.98	5.56	13.08	1.99
PE-HD Plastic	6.58	9.7	6.54	22.82	3.47
PVC Plastic	0.3	0.76	0	1.06	0.16
PE-LD Plastic	5.54	4.72	4.86	15.12	2.30
PP Plastic	3.02	1.3	5.62	9.94	1.51
Polystyrene Plastic	2.28	2.1	3.76	8.14	1.24
Plastics subtotal	21.26	22.56	26.34	70.16	10.68
Hazardous waste	0	0.54	0.78	1.32	0.20
Health care risk waste	0.02	0	0.48	0.5	0.08
Nappies	48.76	8.3	27.1	84.16	12.81
Hazardous and HCRW subtotal	48.78	8.84	28.36	85.98	13.08
Metal subtotal	10.97	5.32	7.12	23.41	3.56
E- waste subtotal	0.44	0.01	0.78	1.23	0.19
Glass subtotal	11.44	16.56	20.82	48.82	7.43
Construction waste subtotal	0.3	0	none	0.3	0.05
Other subtotal	86.3	5.6	10.82	102.72	15.63
Fines subtotal	11.74	5.74	4.42	21.9	3.33
<b>TOTAL</b>	<b>249.39</b>	<b>207.89</b>	<b>199.86</b>	<b>657.14</b>	<b>100</b>

## Chapter 2

### Waste Characterization results



**Figure 1: Waste characterisation results**

On average, the largest category of the domestic waste stream was organic waste comprising a total of 32.18% of the waste stream. Organic waste was composed of garden waste (11.66%) and food waste (20.53%). This finding highlights the requirements for regular removal of domestic waste, especially in summer. On average 35.53% of the domestic waste stream is composed of recyclable materials (paper, cardboard, metal, glass and plastics).

Hazardous waste constituted 13.08% of the waste stream. The majority of hazardous waste (97.94% of all hazardous waste) consisted of used nappies and sanitary towels.

NB: The above-mentioned information is derived from the Reviewed Integrated Waste Management Plan – 2016.

### Domestic Refuse Removal

The following areas are serviced regularly, either twice a week or once week, by the KLM:

- Jeffrey's Bay
- Aston Bay
- Pellsrus
- Paradise Beach
- St Francis Bay
- Cape St Francis

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- Oyster Bay
- Umzamowethu
- Humansdorp
- Kwanomzamo
- Vaal dam
- Arcadia
- Gamtoos Valley
- Hankey
- Patensie
- Loerie
- Thornhill
- Pola Park
- Shukushukuma

Residential areas, both formal and informal in the larger towns (Jeffreys Bay and Humansdorp) are serviced twice weekly and the smaller towns (Hankey, Patensie, St Francis, Cape St Francis) are serviced weekly. According to STATS SA (2011) only 83.5% of households in the KLM receive a municipal waste collection service. The details are presented in the table below:

Refuse Collection is done 3 times a week at all businesses and once a week for household refuse.

Total Number of Businesses	-	1106
Total Number of households	-	22130
Total Number of informal settlements	-	3990
Total Number of backyard dwellers	-	3977
Total Number of Flats	-	223

Equipment used:

Jeffreys Bay	-	4 x Compactor Trucks 1 x 3 Ton Truck 3 x Skip Trucks
Humansdorp	-	2 x Compactor Trucks 1 x Skip Truck
G.V.	-	2 x Compactor Trucks
St Francis Bay	-	1 x Compactor Truck

Two new compactor trucks have been purchased and will be delivered in 2017/18 financial year.

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**Percentage Type of Refuse Disposal per Household**

TYPE OF REFUSE DISPOSAL	HOUSEHOLD PERCENTAGE (%)		
	KOUGA LM	EASTERN CAPE	SOUTH AFRICA
Removed by local authority / private company at least once a week	83.5	41.0	62.1
Removed by local authority / private company less often	1.2	2.4	1.5
Communal refuse dump	2.5	1.7	1.9
Own refuse dump	10.2	41.7	28.2
No rubbish disposal	1.9	11.3	5.4
Other	0.6	1.9	0.9

*Source: Statistics South Africa's Census (2011)*

The percentage of houses receiving weekly waste removal has improved from 77.4% in 2011 to 83.5% in 2016. The challenge to increase the provision of a good weekly waste collection program, is to increase the control of Illegal dumping sites, improve the dilapidated fleet and fill all critical vacant positions.

### **Business and Industry and Other Waste Collection**

Waste is collected from businesses weekly in all towns in KLM. Some of the main commercial centres in Humansdorp are serviced twice a week, because many of the businesses in these areas have limited space for waste storage.

Waste is removed from schools weekly and from the hospital in Humansdorp three times per week, excluding medical waste.

The compactor truck shortage and vehicle breakdown compel the municipality to hire 2 compactor trucks from Teloc on a continuous basis.

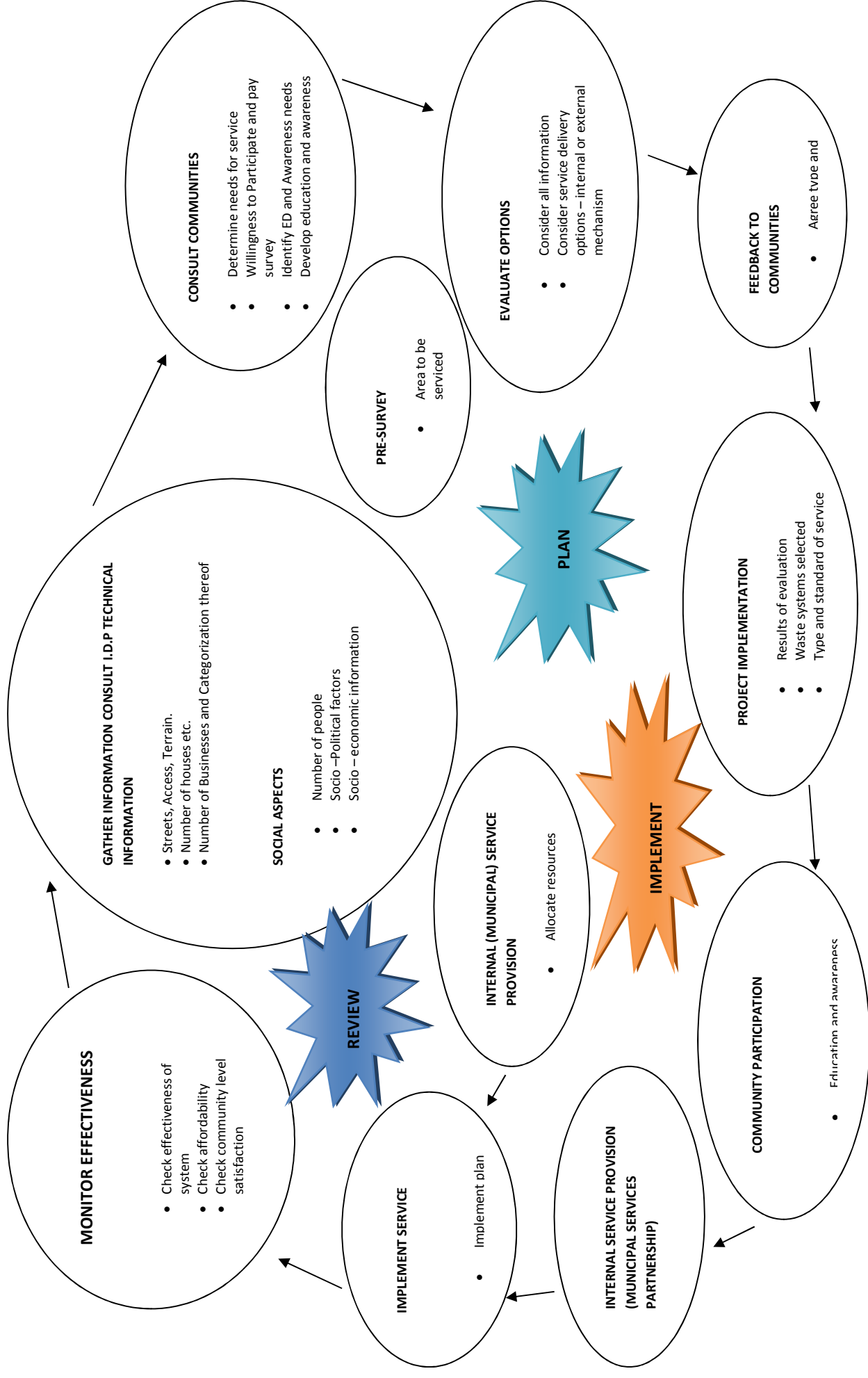
### **Complaints Management**

We have 4 offices to which complaints are being submitted, either by telephone or in writing. Our turnaround time for refuse removal complaints, is that it must be resolved on the same day.

All complaints are recorded in a complaints book (duplicate) and given to the Superintendent and foremen for action. There is indeed an improvement in the complaints system and the turnaround time.

# Chapter 2

## REVIEW CYCLE FOR KOUGA'S WASTE COLLECTION: RECOGNISING KEY ELEMENTS OF NATIONAL WASTE MANAGEMENT STRATEGY & EM: WASTE ACT – ACT 2008





# Chapter 2

## Key Challenges

1. The filling of vacant budgeted posts remains a challenge
2. Replace dilapidated Refuse Collection vehicles - there is no strategic vehicle replacement plan. 4 Vehicles were added to the fleet.
3. There is no alignment between new development from Planning and Development with refuse collection.
4. There is no alignment between organisational structure and the growth of the Municipality.

## Recommended Solutions:

- Some vacant positions have been included in the reviewed organogram 2017/18 financial year.
- 2 new compactor trucks have been purchased.
- A strategic vehicle replacement plan be developed to ensure service delivery efficiency.
- That the refuse collection routes be reviewed on a continuous basis.
- The Integrated Waste Management Plan was implemented.

## CLEANSING SERVICES

### Overview

The provision of cleansing services in the overall maintenance and cleansing program within the Kouga area.

### Strategic objective

Communities live in a clean environment that is maintained and managed in a sustainable manner.

### Description of activities

Litter picking  
Street sweeping  
Cleansing of furrows  
Mop-up operations

Cleansing and litter picking is done regularly in all areas – towns entrances, township entrance, flush points and all illegal dumping areas.

# Chapter 2

## Equipment used

Jeffreys Bay	-	1 x Mesh Truck 1 x 3 Ton Truck
Humansdorp	-	1 x Mesh Truck 1 x Tractor
G.V.	-	1 x Mesh Truck 1 x 3 Ton Truck
St Francis Bay	-	1 x Tractor



## Key Challenges

- All new RDP housing Development projects to include the provision of the Wheelie-bins per household.
- The shortage of staff and equipment.
- Developing of new by-laws concerning littering and dumping that introduce harsh penalties to offenders;

## Recommended Solutions:

- That the law-enforcement officials are equipped to ensure compliance with all waste related legislation and regulations.
- That 240L wheelie bins forms part of new housing development plans.

# Chapter 2

## 3.5 HOUSING

### **Housing Delivery Strategy and Main Role-Players**

The Department of Human Settlements funded various bulk Water and Sanitation infrastructure projects with the aim of un-blocking housing projects in Patensie, Hankey and Jeffreys Bay.

The Department of Human Settlements appointed three (3) Contractors for the installation of services and the construction of the top-structures during the 2016-2017 financial year. The appointed contractors and projects are as follows:

- Bendolite Consortium was appointed for the installation of services as well as the construction of the top-structures. They commenced with the installation of services on the 1<sup>st</sup> of July 2016. The contract period is 29 months and the anticipated completion date for both the civil services and the top-structures is 30 November 2018.
- Ikahaya Construction was appointed on the 1<sup>st</sup> of July 2016 for the construction of the civil works as well as the construction of the 220 top-structures. Problems were however experienced with the contract between the Provincial Department of Human Settlements and the Contractor. The problems were however resolved and the physical handover of the construction site was during March 2017.
- The contractor for the Ocean View 1500 Housing Project Jade Africa was also appointed during July 2016, but due to contractual disputes between the Contractor and the Provincial Department of Human Settlements, their contract was terminated and the Provincial Department of Human Settlements started with a new procurement process to appoint a suitable service provider for the installation of civil services.

Due to bulk infrastructure challenges the municipality cannot commence with the remainder of the projects namely:

- Kwanomzamo 400
- Hankey 990
- Patensie 278
- Thornhill 390
- Weston 196

The most important key factor in the human settlement delivery strategy is to provide an adequate and quality house that is linked to water, sewerage and electrical connection with proper access roads as defined in the National Housing Code of 2009.

## Chapter 2

### Levels and Standards in Housing Services

The objective of the levels and standards for the provision of sustainable and integrated human settlements is to be fully in compliance with the minimum norms and standards as outlined in the provisions of the National Housing Code of 2009. It spells out the minimum standard that a municipality may use for the connection and installation of internal reticulated infrastructure for subsidised housing. Quality control is also monitored internally by the building control section as well as by the National Home Builders Regulatory Council (NHBRC).

The target set for the implementation of projects was not met due to a lack of adequate bulk infrastructure. A financial injection of approximately R114 m was committed from the Provincial Offices of Human Settlements to ensure the unblocking of the challenges that were delaying the implementation of most of the projects. The bulk of the funding that was acquired will be used to unblock projects in Patensie, Hankey, Pellsrus and Ocean View

### Annual Performance as per Key Performance Indicators in Human Settlements Services

	Indicator name	Total number of household / customer expected to benefit	Estimated backlogs (Actual numbers)	Target set for the FY under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households living in informal settlements	100%	13000	363	Application was submitted and waiting for funding approval	100%
2	Percentage of informal settlements that have been provided with basic services	100%	9779	550	550	100%
3	Percentage of households in formal housing that conforms to the minimum building	100%	9779	2111 (a)	0	0%

## Chapter 2

	Indicator name	Total number of household / customer expected to benefit	Estimated backlogs (Actual numbers)	Target set for the FY under review	Number of HH/customer reached	Percentage of achievement during the year
	standards for residential houses					
4	Existence of an effective indigent policy	<b>In place adopted and approved 30/05/2014</b>				
5	Existence of an approved SDF	<b>The SDF was review and adopted by Council on 25 May 2015 under Resolution 15/5/IPD15</b>				
6	Existence of Land Use Management System (LUMS)	<b>Yes, draft by laws adopted 12/11/2015</b>				

NB 550 erven reflects formalization of erven in Pola Park/Shukushukuma Oyster Bay, Thornhill, and Tokyo Sexwale.

## Chapter 2



The Human Settlements Department started with the formalization of the Donkerhoek informal settlement in Kruisfontein in July 2016 and the status of the projects is as follows:

- 363 beneficiaries who stayed on informal sites were moved to formal sites.
- All internal roads are completed.
- Communal taps are installed in the area.
- The electrical contractor has been appointed and he will be on site on the 3<sup>rd</sup> of March 2017.
- In phase one, 247 houses will receive electrical connection.

Currently there are three housing projects that are ready for implementation by the Provincial Department of Human Settlements, namely Kruisfontein 391 (2500) Housing project (Contractor on-site), Pellsrus 220 Housing Project (Contractor appointed) and the Ocean View 1500 housing project (in procurement stage).

### **Major Challenges in Human Settlements and Remedial Actions**

- Internal shortcomings to achieve municipal housing accreditation
- Current and growing bulk limitations to promote and implement human settlements as well as the formalisation of informal settlements and the lack of a bulk master plan.
- Shortage of suitable land to establish new settlements for the growing backlogs.

## Chapter 2

The municipality is in the process of addressing the shortcomings that were outlined in the recommendations of the Provincial Department.

- Policies, by-laws and the review of the Spatial Development Framework are in the process of being drafted.

The municipality should engage COGTA on how and when these programmes will be reviewed and consolidated to allow municipalities to achieve maximum benefits.

- The municipality to undertake a comprehensive integrated master plan for bulk water supply, bulk sewerage, upgrading of treatment plants, storm water, access roads, electricity, waste disposal.

### COMPONENT B: ROADS

#### 3.6 ROADS

##### Roads Maintenance Service Delivery Strategy and Main Role Players

The road network within Kouga falls under the jurisdiction of the following authorities:

- 1) The South African National Roads Agency Limited (SANRAL), which is responsible for the National Route 2, which traverses the Kouga municipal area.
- 2) The Eastern Cape Department of Roads, which is responsible for provincial trunk, main and district roads within the municipal area.
- 3) The Kouga Municipality is responsible for all municipal roads.

##### Road network in Kouga Municipality

Road Authority	Length (km)
SANRAL (N2)	68,97 km
Eastern Cape Department of roads	915,31 km
Kouga Municipality	402,5 km
<b>Total</b>	<b>1 386,78 km</b>

## Chapter 2

### Levels and Standard in Roads Maintenance Services

The condition of roads in the Greater Kouga Municipal area has deteriorated rapidly over the past few years due to aging infrastructure, increase traffic volumes, lack of sufficient funding for maintenance and the impact of floods which have occurred over the past few years.

The standard of roads maintenance in all areas in the Kouga is the same whether its re-gravelling or resealing or pothole repair. Due to the lack of a pavement management system, visual inspection of tarred roads is performed to prioritize the reseal of tarred roads in all wards. Low level access to road maintenance services are done through a complaints register kept at each Administrative Unit. High level access is accommodated through community participation at budget meetings.

The various levels and standards of the road network under the jurisdiction of the Municipality are reflected in the table below.

### Road network under jurisdiction of Kouga Municipality

Road Type	Length (km)
Tar	307,3 km
Concrete	0,2 km
Block paving	7,5 km
Gravel	87,50 km
<b>Total</b>	<b>402,5 km</b>



## Chapter 2

### Annual Performance Service as per Key Performances Indicators regarding Roads

No	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the FY under review (Actual numbers)	Number of HH/customer reached during the FY	% of achievement during the year
1	Percentage of households without access to gravel or graded roads	Nil	87, 5 km	Nil	Nil	Nil
2	Percentage of road infrastructure requiring upgrade	21,74%	87, 5 km	Nil	Nil	Nil
3	Percentage of planned new road infrastructure actually constructed	Nil	87, 5 km	Nil	Nil	Nil
4	Percentage of capital budget reserved for road upgrading and maintenance effectively used.	Nil	R 380,0 m	Nil	Nil	Nil

During the 2016/2017 financial year, funding amounting to R 2,325,429-00 was provided for the resealing of surfaced roads on the Operating budget. A service provider was appointed through a competitive bidding process, and a total of 4 821 m<sup>2</sup> of potholes repairs and 69 366 m<sup>2</sup> of resealing of roads was done.

The Kouga Roads Forum is functional and meets on a six-weekly basis. The forum is chaired by the Portfolio Councillor for Infrastructure, Planning and Development, while secretariate support is provided by the Provincial Department of Public Works and Roads.

# Chapter 2

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## **Major Challenges in Road Maintenance and Remedial Actions**

Like the vast majority of local authorities throughout our country, road repair and maintenance remains a challenge due to budgetary constraints, terrain, aging road and storm water infrastructure, poor sub-surface conditions, and ever-increasing traffic volumes. The absence of a road pavement management system to assess and classify roads according to their remaining life span on a scientific basis, has not been concluded.

There is limited internal funding for routine road maintenance and rehabilitation, especially gravel roads. There is also no funding for the implementation of capital projects relating to surfacing of roads and installation of storm water infrastructure. The Kouga Municipality utilizes own funds for the maintenance and repair of Provincial roads located within our town boundaries. Examples are Da Gama/St Francis Road in Jeffreys Bay and Main and Park Street in Humansdorp. No funding is received from Provincial Roads department.

## **Backlogs**

The construction and surfacing of gravel roads (backlog) is approximately 87, 5 km. It is anticipated that an estimated amount of R 380million will be required for the elimination of this backlog. For the 2016/17 financial year, no capital funding was allocated for the construction of new roads or tarring of gravel roads or the upgrading and/or provision of storm water infrastructure.

# Chapter 2

## COMPONENT C: PLANNING AND DEVELOPMENT

### 3.7 PLANNING

#### Spatial Planning

##### Preparation and Approval Process of Spatial Development Framework (SDF)

The Spatial Development Framework was approved by Council on 29 May 2015 Council resolution 15/5/IPD1

The municipality has a credible SDF that meets the required standards as set by the Eastern Cape Provincial Government through the implementation of the Comprehensive SDF Guidelines developed by Department of Rural Development & Land Reform in 2010.

##### Integrated Land Use Scheme (ILUS)

The Department of Rural Development and Land Reform appointed Urban Dynamics (Eastern Cape) to establish an Integrated Land Use Scheme (ILUS). The finalization and implementation by Council of this Scheme is estimated to be February 2018. Urban Dynamics is currently in the process of aligning the ILUS with SPLUMA By-Laws that was promulgated in the Government Gazette during March 2016.

The main objective is to create an Integrated Land Use Scheme that will replace the various existing schemes and other applicable development plans. The ILUS should fit within the current legislative framework, in particular with the provisions of the Spatial Planning and Land Use Management Act, (Act 16 of 2013). It must also fit within the policy parameters established by the Provincial Government in the Eastern Cape, the Eastern Cape Spatial Development Plan and the Kouga Spatial Development Framework

#### Land Use Management

All Land Use Management is done in accordance with legislation requirements (e.g. Building Standard Act, Land Use Planning Ordinance, Zoning Scheme Regulations, Municipal By-laws and other applicable legislation).

**The following Land Use Management approvals have been dealt with in terms of said legislation in**

	2015/2016	2016/2017
Rezoning	13	4
Subdivisions	14	8
Consent Uses	4	3
Removal of restrictive conditions	7	6
Departures	39	32

## Chapter 2

	2015/2016	2016/2017
Occupational Practice	5	3
Number of building plans approved	716	831
<b>Value of building plans approved</b>	<b>R 513,383,000-00</b>	<b>544,061,000.00</b>

### **Spatial Planning & Land Use Management Act (SPLUMA) (Act 16 Of 2013)**

- The Spatial Planning and land Use Management Act, Act 16 of 2013 (SPLUMA) was assented by the President on 2 August 2013 and Gazetted on 5 August 2013.
- The Spatial Planning & Land Use management draft Regulations were published on 4 July 2014
- SPLUMA makes provision for a Municipality to constitute a Municipal Planning Tribunal either on its own or a Joint Municipal Planning Tribunal in conjunction with other Municipalities/District Municipality. Kouga Municipality established its own tribunal which commenced with its functions of considering land use applications at its first meeting held on 13 April 2017.
- To date the Municipal Planning Tribunal have convened a total of five (5) official meetings.

### **Levels and Standards in Spatial Planning**

#### **Major Challenges in Spatial Planning and Remedial Actions**

The Spatial Planning and Land Use Management Act ("SPLUMA") emerged through the Green Paper and White Paper processes to replace the DFA as the legislative instrument to regulate Spatial Planning and Land Use Management in the country.

The Municipal Planning Tribunal was formally established on 17/03/2017 and commenced with its functions of considering land use applications on 13 April 2017.

#### **Overall Service Delivery Backlogs**

During the 2015/2016 financial year Council embarked on a programme to formalize informal settlement areas. This programme with its associated processes continued for the 2016/2017 financial year.

Environmental Authorization for housing developments was applied for and the following Authorizations were granted by the Department of Economic Development, Tourism and Environmental Affairs:

- 1) Weston Housing Project: On erven 17,1480 and 1508: (EC08/C/LN1&3/16-2015), authorization the construction of 176 residential units on 25 February 2016.
- 2) Arcadia Housing Project: (EC08/C/LN1&3/M/22-2015), Environmental Authorization was issued on 30 March 2016.

## Chapter 2

- 3) Formal tender procurement process was followed to appoint a Professional Service Provider to formalize the follow areas.
  - Thornhill Erf 448 Ptn 1 & 2: Proposed layout was adopted by Council during June 2017.
  - Loerie Erf 439 Ptn 26: Proposed layouts were prepared by service provider and Council is to consider the options.

### Overall Service Delivery Backlogs (Formal housing not informal housing)

Basic service delivery area	30 June 2016			30 June 2017		
Water backlogs (6kl/month)	Required	Budgeted	Actual	Required	Budgeted	Actual
Backlogs to be eliminated (no. households not receiving the minimum standard service)	NIL	NIL	NIL	NIL	NIL	NIL
Backlogs to be eliminated (%: total household identified as backlog/total number of households in the municipality)	NIL	NIL	NIL	NIL	NIL	NIL
Spending on new infra-structure to eliminate backlogs	R 47 604	R 13 902	R 13 902	R 50 460	NIL	NIL
Spending on renewal of existing infrastructure to eliminate backlog	R 143 055	R 8 514	R 8 514	R 151 638	R 2 750	R 2 750
Total spending to eliminate backlogs	R 190 659	R 22 416	R 22 416	R 202 098	NIL	NIL
Spending on maintenance to ensure no new backlogs	R 11 576	R 4 349	R 4 349	R 12 270	R 3 817	R 3 817
<b>Sanitation backlogs</b>						
Backlogs to be eliminated (number of households not receiving the minimum standard service)	NIL	NIL	NIL	NIL	NIL	NIL
Backlogs to be eliminated (%: total households identified)	NIL	NIL	NIL	NIL	NIL	NIL

## Chapter 2

Basic service delivery area	30 June 2016			30 June 2017		
as backlog/total number of households in the municipality						
Spending on new infrastructure to eliminate backlogs	R 225 892	R 27 814	R 27 814	R 239 445	R 35 809	R 35 809
Spending on renewal of existing infrastructure to eliminate backlog	R 126 002	R 27 814	R 27 814	R 133 562	R 6 400	R 6 400
Basic service delivery area	30 June 2016			30 June 2017		
Total spending to eliminate backlogs	R 351 894	R 55 628	R 55 628	R 373 007	R 42 209	R 42 209
Spending on maintenance to ensure no new backlogs	R 7 611	R 5 070	R 5 070	R 8 067	R 5 028	R 5 028
<b>Road maintenance backlogs</b>						
Backlogs to be eliminated number of households not receiving the minimum standard service)	NIL	NIL	NIL	NIL	NIL	NIL
Backlogs to be eliminated (%: total households identified as backlog/total number of households in the municipality	NIL	NIL	NIL	NIL	NIL	NIL
Spending on new infra-structure to eliminate backlogs	R 414 200	NIL	NIL	R 439 052	NIL	NIL
Spending on renewal of existing infrastructure to eliminate backlog	R 309 015	NIL	NIL	R 327 555	NIL	NIL
Total spending to eliminate backlogs	R 723 215	NIL	NIL	R 766 607	NIL	NIL

## Chapter 2

Basic service delivery area	30 June 2016			30 June 2017		
Spending on maintenance to ensure no new backlogs	R 13 344	R 4 575	R 4 575	R 14 145	R 4 760	R 4 760

### 3.8 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM, ARTS, SPORT DEVELOPMENT AND MUSEUMS)

#### Local Economic Development Service Delivery Strategy

LED Strategy was reviewed in 2015. The Draft LED Strategy is currently in place and was 80 % complete when tabled to the LED Portfolio committee in October 2016. However, this process was halted by the LED Portfolio Committee who was not in agreement with the strategy that was developed. Hence this item was withdrawn from the Committee meeting held in October 2016.

#### MAIN ROLE PLAYERS

##### Political Role Players

The Unit reports to the LED Portfolio Committee which is chaired by the Portfolio Chairperson for LED.

##### Staff role players

The staff component comprises of the current staff:

- Director LED, Tourism and Creative Industries
- Manager LED
- SMME Development officer
- Rural Development officer (Vacant)
- Agricultural Development Officer (Vacant)

# Chapter 2

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## **Other role players**

Due to the serious staff shortage, the LED department teams up with many partners in order to facilitate the functioning of the department. These include amongst others: Dept. of Rural Development and Land Reform (DRDLR), Dept. of Rural Development and Agrarian Reform (DRDAR), Dept. of Economic Development, Environmental Affairs and Tourism (DEDEAT), Dept. of Trade and Industry (DTI), Dept. of Social Development, Coega Development Corporation (CDC), National Youth Development Agency(NYDA), Small Enterprise Development Agency(SED), Gamtoos Irrigation Board (GIB), Dept. Water Affairs and Sanitation, Fishing and Forestry (DAFF), Cooperative Governance and Traditional Affairs (COGTA), Sarah Baartman District Municipality (SBDM), New Generation Mindset (NGM).

## **Community role players**

These include the Kouga Business Chamber, Kouga Business and Rural Chamber, Kouga Emerging Farmers Forum, Kouga Cooperatives Forum, Kouga SMME Forum and members of the public who visit the LED offices on a daily basis. The LED department also collaborates with the Wind farms in connection with career opportunities for the youth as well as contract opportunities for SMME's.

## **Annual Performance as per Key Performance Indicators in Local Economic Development, including Tourism**



## Chapter 2

	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
1	Existence of LED Unit	Fully functional LED unit	70% functional as the unit has been without an Agricultural Development officer and for the whole year. In August 2016, the Rural Development officer left the department to become a Councillor and this post has also not been filled. This created many challenges and the current staff capacity was overstretched to the limit. For this reason, 100% functionality could not be achieved.	70%
2	Existence of LED Strategy	Completion of LED Strategy review	Situational analysis done, draft revised LED Strategy done, Draft Rural Strategy done. Outstanding is the Stakeholder Engagement session, public comment and council adoption. However, this process was withdrawn when it was taken to the Portfolio Committee meeting in October 2016, as the committee was not in favour of the work done so far. The recommendation was that other options should be explored.	80%
3	Percentage of LED Budget spent on LED related Activities	90%	Full budget could not be spent due to vacant LED posts. Also, tenders for repairs and maintenance to the Kouga Cultural Centre could not be awarded and completed in time before year end.	87%

## Chapter 2

	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
4	Number of LED Stakeholder Forum Meetings held	4	Regular engagements with the Kouga Business Chambers, meetings each with the Kouga Cooperative Forum, Kouga SMME Forum and the Kouga Business and Rural Development Forum, as well as the Kouga Black Business Chamber, Kouga Business Forum, Emerging Farmers Forum.	100%

## Chapter 2

5	Number of SMME's that have benefitted from an SMME Support Programme	550 SMME's	<p>All the programmes have included SMME's registered on the Kouga LED database. – SMME's were trained on the following <b>(R200 000)</b>:</p> <p><b>(60) Catering</b> – Basic and advanced;</p> <p><b>(30) Baking</b> – basic;</p> <p><b>(23) Sewing</b> – Garment &amp; Pattern making;</p> <p><b>(30) Food Preserves and jam-making</b>;</p> <p><b>(60) Food hygiene and food security</b>;</p> <p><b>(200) SMME's Business Start-up</b></p> <p><b>(16 members of 3 co-ops and SMME) Co-operative development (Tools &amp; Equipment and Material)</b></p> <p><b>(1)</b> SMME's taken to Grahamstown festival to market and sell their material</p> <p><b>(10)</b> Bought material for co-operatives</p> <p><b>(120)</b> Business Start-up – All Wards</p> <p><b>(55)</b> How to manage your business (SEDA and KM)– All Wards</p> <p><b>(100)</b> Outreaches done to all wards</p> <p><b>Total: SMME's = 645</b></p>	117%
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## Chapter 2

	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
6	Number of job opportunities created through PPP: (This is for LED and Tourism.	100	<p>Partnered with LED Stakeholders such as SEDA, NYDA, NHBRC, ECDC, SARS, and Sarah Baartman District Municipality to bring services to the Kouga communities so that they can become economically viable. Temporary jobs created through PPPs were mostly at events and festivals such as:</p> <p><b>1. David Stuurman programme – 85 temporary Jobs</b> through procurement for services of: <b>(15) Catering, (10) Transport, (45) security, (15) cleaning;</b></p> <p><b>2. (15 temporary) Jobs: (5) Catering and (10) Transport;</b></p> <p><b>3. Youth in Energy summit – (20) temporary Jobs – (14)</b> catering, <b>(10) transport, (1) conference packs.</b></p> <p><b>4. Green Energy – one SMME</b> procured for solar lights on Dolphin beach</p> <p><b>Total No. of temporary Jobs = 146</b></p>	146 %
7.	Green Energy	SMME's	Solar lights procured <b>(R40 000)</b> through SMME's for the beach-front (1 service provider)	

# Chapter 2

## **TOURISM AND CREATIVE INDUSTRIES**

The priorities of this section are tourism development, sports development, arts and culture development and heritage and museums development.

The Kouga tourism, Kouga Tourism Routes and Implementation Plans were compiled in 2010, and should be updated. The Kouga Heritage Plan was adopted by Council on 3 May 2017. The Events policy was adopted on 29 May 2015 and the by-law was adopted on 01 August 2017.

This section's annual implementation strategy was derived from the IDP and approved budget of the financial year. From the Service Delivery, Budget and Implementation Plan (SDBIP), work plans were created to determine the detailed implementation plans for the year. This was monitored continuously and reported to the Portfolio Committee at least once per quarter.

Due to the small component of staff and the vast jurisdiction and functions, this Section created Public Private Partnerships with community structures to serve as an implementation arm for the various priorities of the Section. The following partners (community umbrella bodies) were created: Kouga Local Tourism Organization, Kouga Arts Council, Kouga Sports Council, Kouga Heritage Council and the Humansdorp Museum Association. The Kouga Heritage Council was disbanded after a few months due to poor public management and drive. The Humansdorp Museum Association then took over most of the latter's functions. Each of these partners are constituted and registered Non-Government Organizations. A memorandum of agreement is in place with each of these private partners. Grant-in-aid, as well as funding for special projects are allocated to each for administrative purposes and furthering the development and marketing of tourism, sports, arts and museums in the Kouga Municipal area.

### **Tourism Development and Marketing**

Tourism Development through participation with our private partner, Kouga Local Tourism Organization:

## Chapter 2

### **Background**

The Kouga Tourism Organization consists of member representatives of our three geographic Tourism Information Centres in Jeffreys Bay, St Francis Bay and Gamtoos. Their grant-in-aid from the Kouga Municipality was R384,000 for the financial year which included the support to the smaller tourism offices, general administration, brochures, active websites and marketing material. 17 reports were submitted by the Kouga Local Tourism Office throughout the year on performance and expenditure and regular meetings held for monitoring and evaluation purposes.

### **Festivals and Events**

The Kouga Festivals/Events Committee approved 67 events/festivals to be staged in the Kouga Municipal Area in this financial year. These events were mainly private events and many made use of municipal land. Apart from the above, R910,000 was allocated for 10 Festivals held in partnership with the Kouga Municipality through financial support or other means. These were the:

- \* Winter Fest: 6-17 July 2016 (R700,000)
- \* Spring Picnic: 17 Sept 2016 (R11,000)
- \* Heritage Festival: 29 and 30 September and 1 Oct 2016 (R60,000);
- \* Jazz Fest (R47,000)
- \* Opening of the Season (R16,000) and Summer Season Celebrations
- \* 16 December 2016 (R11,000)
- \* Nautical Fest (R20,000)
- \* Citrus Fest (R20,000)
- \* New Year's Bash: 31 December 2016;
- \* Expedition Africa: 14 – 21 May 2017 (R25,000)

### **National Trade Shows**

R100,000 was allocated to attend tourism trade shows throughout South Africa to market the Kouga as a sought-after tourism destination to tourism booking agents, travel agents, tour guides, other provinces and tourist destinations, tourists and visitors. Trade show attended were Indaba:

- \* Durban: 15 – 18 May 2017: Travel Show; Getaway
- \* Cape Town, 31- 2 April March 2017, Consumer Show
- \* Getaway, Johannesburg: 23 – 25 Sept 2016: Consumer Show
- \* World Travel Market, 19 – 21 April, Travel and Tourism Show
- \* Beeld, 24 – 26 February 2017: Outdoor Show

## Chapter 2

### **Other advertising ventures**

R80,000 was allocated for advertising ventures. Radio Adverts: R21,000; Media Visits: R29,000; Tourism Month Advertising Campaign: R30,000. This amount was increased when the KLTO required more which they took from their general grant in aid for administration.

### **Branding, Signage and banners**

R80,000 was allocated for branding, signage and banners. The Gamtoos Tourism installed directional-and information signs at the Phillips Tunnel and trail to Vensterhoek in Hankey. A tourism signboard was also erected to Backhouse Hoek, Milton, Rooivlakte and Vensterhoek beyond Patensie and to Baviaans Mega Reserve.

Illegal tourism signs were removed at St Francis Bay and a "Welcome to St Francis" banner was purchased for use during major events and during the season.

The bus shelters at St Francis Bay were repaired and rebranded with tourism branding.

### **Tourism asset improvement and beautification.**

The monument at the light house in Cape St Francis was upgraded and improved with new signage and a map of South Africa included. The garden around the monument was also cleaned.

Phillips Tunnel at Hankey was cleaned and the walkway to Vensterhoek cleared.

A clean up of the shoulders of the road of Hankey leading to Patensie, for visitors going to the Baviaans Mega Reserve was done. This is an ongoing project as littering is continuous in that area.

## Chapter 2



### **Tourism training**

20 Tourism Buddies were trained in Safety and Security, Customer care and "Know your City" on 8 – 9 December 2016 as well as on 11 April 2017 in preparation for their employment of during the Summer Season and Easter Holiday respectively. Seven youth were trained as site guides and first aid from 5 to 15 June 2017.

### **Visual and performing arts development.**

#### **Background**

The Kouga Arts Council consist of member representatives of the Kouga area who have a passion for performing and visual arts. Their grant-in-aid from the Kouga Municipality was R96,000 for the financial year which included support to smaller groups or individual artists who requested financial support for attending provincial or national events as well as smaller events hosted by the Arts Council.

13 reports were submitted by the Kouga Arts Council indicating their achievements and challenges, financial status, projects, events and training through the year. At least quarterly meetings were held between the Kouga Arts Council and Kouga Municipality for monitoring and evaluation purposes.



## Chapter 2

The Kouga Arts Council exhibited and performed at the Heritage Festival and the Provincial Arts Exhibition. Performers also participated in all events held by the Kouga Municipality and the Department Sports, Recreation, Arts and Culture.

### **Visual and performing arts training.**

R100,000 was allocated to visual and performing arts training for communities. Of this R89,500 was used to finalize phase one and two of mosaic training sessions for between 5 – 9 learners respectively for 5 to 14 days respectively amounting to R64 359; video and photographic training for 5 students for R8141 and ballet for beginners training for 6 primary school pupils for one year amounting to R26 000.

The last trench of money for the Kouga Municipality to host the "Kouga's Got Talent" was received from Sarah Baartman District Municipality. This brings the total amount to R250,000. Tenders will be requested in 2017 for us to implement this project.

### **Sport Development**

#### **Background**

The Kouga Sports Council consist of member representatives of the Kouga area or schools, sport federations and clubs. Their grant-in-aid from the Kouga Municipality was R100,000 for the financial year which included the support to individual sports persons who excelled or clubs requesting financial support for attending provincial or national tournaments. Some examples are: T Grootboom for the netball Western Cape tour, I Pieterse for the Cape Town Gym Games, A Faulkner for International Surfing, and R Petersen for Veterans EC Tennis Tournament.

12 reports were submitted by the Kouga Sports Council indicating their achievements and challenges, financial status, projects, events and training throughout the year. At least quarterly meetings were held between the Kouga Arts Council and Kouga Municipality for monitoring and evaluation purposes.

#### **Sport Training - R100,000 allocation**

Sport training was given in Karate, netball, soccer and boxing for local clubs. Outstanding sportsmen/women were financially assisted in various programs. (Most of the support came from this budget, but some of their grant-in-aid funding was also used for this.)

## Chapter 2

Assistance was given to:

Golf

Financially assisted the Kouga employees to participate at the 2017 South African Country District Tournament 15-19 May 2017 and the Fish River Sun Tournament in Durban - entry fees, R4,000.

Boxing amounting to R11,650:

Assisted the Andile Boxing Club from Jeffreys Bay to participate in a boxing tournament in Uitenhage on 26 June 2016 and transportation of boxing ring to Kouga for the Kouga Boxing Federation tournament held in Jeffreys Bay on 22 April 2017. Also, the Sttterheim trip, for representatives of Kouga Boxing Federation to attend the tournament.

EC Trials in PE - Travel.

DSRAC boxing trial travel to Somerset East.

Netball amounting to R20,700

This was given for Development and training of the Kouga Netball Association and Brutal Fruit Premier Netball League - attendance for team.

Volleyball amounting to R1,800

Given for travel for the management team to the East Cape Volleyball Annual General meeting.

Sponsored Humansdorp Cricket Club to purchase equipment amounting to R2,000.

Soccer - amounting to R4,800 for the Reggie's Academy to travel to Addo for a soccer tournament.

An amount of R20,117.50 for rugby kit and attire for the Kouga Rugby League Referees and for the Kruisfontein Rugby Festival.

An amount of R7,750 for Ashihara Karate Club training.

An amount of R2,800 for school sport by organizing medals for the Heritage Month Sport Tournament, hosted two Springbok players who facilitated coaching clinics for Kouga Primary Schools and Loerieheuwel Primary to participate in EP under 12 rugby.

Municipal Sport Kit was purchased for the rugby and netball teams amounting to R14,219.79.

With the rest of the funding amounting to R10,100, the Summer Series Sport Program was supported.

## Chapter 2

### Museums

#### Background:

We have two museums in the Kouga Municipal area, namely the Humansdorp Museum Humansdorp and the Shell Museum in Jeffreys Bay. Both buildings housing the museums belong to the Kouga Municipality. The artefacts in the Humansdorp Museum belong to the Humansdorp Museum Association, whereas the artefacts in the Shell Museum belongs to the Kouga Municipality. Both Shell Museum and Humansdorp Museum are managed by the Humansdorp Museum Association, a private partner of the Kouga Municipality, registered as a non-profit organization. The municipality supports the museums through quarterly grants as agreed through a Memorandum of Agreement as well as a Service Level Agreement. The Kouga Municipality supports museums financially to achieve its municipal heritage priorities. The annual budget for the museums and heritage amounted to R112,000 for general administration, repairs and maintenance and events. The Museum Association submits quarterly reports on progress, and the Kouga Municipality has meetings and monitors and manages their performance. The Museum Association submitted 22 reports to indicate how they spent their grant-in-aid of which 10 reports were for museum programs and 12 for heritage programs.

#### Museum priorities:

- To develop and promote heritage in the Kouga area.
- To build a positive image and manage museums as sought-after heritage and tourism destinations.
- Maintain museums and preserve heritage assets linked to the museums.

The Humansdorp Museum is open to visitors and tourists 5 days a week and the Shell Museum six days a week. The museums are manned with one full time staff each, and managed by the Museum Association, a voluntary Non-Profit-Organization.

Heritage events hosted in the financial year were:

- Quoloquim (ons National Symbols and National Orders) for High Schools in the Kouga Area
- Vintage Car rally
- Visits to the Shell and Humansdorp Museums.

## Chapter 2

The repatriation of Dawid Stuurman was done in June 2017 in partnership with the Provincial Officer: Department Sport, Recreation, Arts and Culture as well as Sarah Baartman District Municipality.

### **Repairs and maintenance to Heritage assets:**

Shell Museum:

- Paintings, posters pictures added
- A newsletter
- Signage at entrances
- New nametags of artefacts
- Laptop, TV Screen and cash register
- More shelves installed
- Air conditioner installed.
- Leaking roof the Shell Museum repaired
- Trellis doors and bugler bars to improve safety and security.

Humansdorp Museum:

- Museum painted,
- Floors redone
- Cupboards redone

JOBS CREATED DURING YEAR 0 BY LED INITIATIVES (Excluding EPWP Projects)				
Total Jobs created / Top 3 initiatives	Jobs created through LED & Tourism No.	Jobs lost / displaced by other initiatives No.	Net total jobs created in year No.	Method of validating jobs created / lost
Reporting Period	146	No info	No info	Through programmes of LED & Tourism

## Chapter 2

### TRAINING

LOCAL ECONOMIC DEVELOPMENT POLICY OBJECTIVES TAKEN FROM IDP						
Service Objectives (i)	Outline Service Targets (ii)	Year		Year 2016/2017		
		Target	Actual	Target		Actual
		Previous Year (iii)	(iv)	Previous Year (v)	Current Year (vi)	(vii)
	People trained through LED & Tourism	No info	No info		550	645

### EMPLOYEES: LOCAL ECONOMIC DEVELOPMENT SERVICES

	Year 1	Year 2016/2017			
Job Level	Employees No.	Posts No.	Employee No.	Vacancies (full-time equivalents) No.	Vacancies (as a % of total posts)
0 – 3	3	3	3	0	0
4 – 6	4	5	4	1	
7 – 9					

	Adjustment Budget	Actual Expenditure	Variance
Total Operational Revenue	8,658,434	7,445,600	.86
Expenditure:			
Employment	4,654,538	4,121,766	.88

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	Adjustment Budget	Actual Expenditure	Variance
Repairs & Maintenance	50,000	46,212	.08
Other	3,953,896	3,277,622	.83
Total Operational Expenditure	8,658,434	7,429,398	.86
Net Operation Expenditure			

Capital Expenditure Year 0: Economic Development Services and Tourism					
R'000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual expenditure	Variance from original budget	Total Project Value June 2017
Total All	30	795.42	113.050	66.8	
Project A: Fencing KCC	0	74	73.500	.99	7
Project B: Infrastructure KCC	0	631.420	39.550	99.4	634.420
Project C: Furniture & Equipment	30	90		100	0
KCC Infrastructure rolled over to new financial year due to tender processes.					

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### **COMMENT ON LOCAL ECONOMIC DEVELOPMENT CAPITAL PERFORMANCE OVERALL:**

The Department only had three capital projects. The fencing of the Kouga Cultural Centre has been completed.

The infrastructure for the Kouga Cultural Centre, i.e. Windows and doors, thatch roof and general repairs has hardly been spent. Reason for this was that the budget was first on the operating budget, which was incorrect, and should have been part of the capital projects. This had to be corrected with the adjustment budget, (approved in March 2017). The fixing of windows and doors tender plus the repairs to the thatch went through the Bid Specification Committee and was approved, yet did not go through the Bid Evaluation and Bid Adjudication process due to the expiry of the financial year. A roll over was requested from finance which was granted.

The capital budget on the vote of the director was never spent.

# Chapter 3

## COMPONENT D: COMMUNITY & SOCIAL SERVICES

### 3.9 LIBRARIES, MUSEUMS, AND COMMUNITY FACILITIES

#### Library Services

##### Library Service Delivery Strategy

- To ensure that the communities of Kouga have access to facilities and resources that libraries offer;
- To develop skills, preserve and conserve their culture and natural heritage
- Provision of a safe and free library service for reading and learning,
- Provision of a free and guided access to knowledge and information to support formal and informal education.

##### Levels and Standards of Library Services

The function of Library Services for the Municipality is as follows;

Kouga Municipality Libraries provide the community of Kouga with access to educational, informational and recreational material in general or for specific users regardless of race, gender, age, language, financial or educational status.

The function includes the following activities:

- Collection, development and management,
- Development, promotion and maintenance of a reading culture through delivering of programmes
- Ongoing research, planning, monitoring and evaluation to improve service delivery,

##### Annual performance as per key performance as per key indicators in Library services

Description of the Activity and Analysis of the Function	Libraries	No. of Facilities	Actual
<b>Library Facilities and Infrastructure</b>	Library facilities  New Modular Library Tokyo Sexwale granted by Department of Sports Recreation Arts and Culture to the value of <b>R2m</b>	13	13



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	<p>Renovations of Patensie Library Facility by Department of Sports Recreations Arts &amp; Culture to the value of <b>R1,219m</b></p> <p>The building of Sea Vista Library will be built through a donation from the Kouga Windfarm and the construction is due to start by September 2017</p> <p>Jeffreys Bay Library will be extended and renovated in 3<sup>rd</sup> quarter of 2017/18 financial year by the Department of Sports, Recreation, Arts &amp; Culture to the value of <b>R2m</b></p>		
<b>Book Circulation</b>	Lending out books, magazines, newspapers, Photocopy services, Free internet access, Outreach programmes.		155 496 (No. of Books issued)
<b>Library Users</b>	The number of people who used and visited the libraries		242 575
<b>Library Services</b>	The number of professional Librarians employed by Department of Sports, Arts, Recreation and Culture (DSRAC)		4 (Jeffreys Bay, Tokyo Sexwale, Patensie and Lorie)

### Major challenges and Remedial Action

KPI	CHALLENGE	POSSIBLE SOLUTION
Effective Library Services	Phillipsville & Ramaphosa Libraries still using pre – paid electricity	To facilitate the installation of conventional electricity by Infrastructure Dep (IPD)
	Staff shortages within the Kouga Libraries, especially in the new Libraries donated by DSRAC	Prioritizing of Library Assistants positions as critical vacancies

# Chapter 3

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## 3.10 CEMETERIES AND CREMATORIUMS

### **CEMETERIES**

#### **Overview**

The identification of land, planning and co-ordination of all cemetery management activities throughout the Kouga.

#### **Strategic objective**

Communities to have access to affordable and adequate cemetery and maintenance service.

#### **Cemetery Analysis**

## Chapter 3

AREA	WARD	BURIALS PER YEAR	EXISTING SPACE	LIFE SPAN	POTENTIAL EXPANSION	Daily Maintenance
<b>Humansdorp</b>						
Town	15	141	Extension to adjacent piece of land to 500	18 months	None	No Caretaker, maintenance done by grass teams
Kwanomzamo	6	61	869 sites	5 years	Extension was done on council land adjacent to the cemetery for 966 graves.	No Caretaker, maintenance done by grass teams
Graslaagte	15	0	Full	None	None	No Caretaker, maintenance done by grass teams
Jeugkamp	4	0	Full	None	None	No Caretaker, maintenance done by grass teams
<b>Jeffreys Bay</b>						
C-Place	11	146	Extension on adjacent piece of land 300 sites	2 years	Extension was done on council land adjacent to the cemetery.	Daily maintenance by caretaker.
Dr BB Keet	3	0	Full	None	None	Daily maintenance by caretaker.
Pellrus Duine Weg	2	0	Full	None	None	No Caretaker, maintenance done by grass teams
Pellrus Roman street	2	0	Full	None	None	No Caretaker, maintenance done by grass teams
<b>Hankey</b>						
Centerton	9	110	full	4 months	Erf 17 Commonage – adjacent to Hankey Cemetery	No Caretaker, maintenance done by grass teams
Town	9	10	110 sites	4 years	Erf 17 Commonage – adjacent to Hankey Cemetery	No Caretaker, maintenance done by grass teams

# Chapter 3

AREA	WARD	BURIALS PER YEAR	EXISTING SPACE	LIFE SPAN	POTENTIAL EXPANSION	Daily Maintenance
Weston	13	10	50 sites	8 years	Church land	No Caretaker, maintenance done by grass teams
<b>PATENSIE</b>						
Ramaphosa	10	0	full	0	Extension was done on a farm for the people of Patensie and surrounding farms.	No Caretaker, maintenance done by grass teams
Town	10	10	150 sites	2 years	Erf 300	No Caretaker, maintenance done by grass teams
<b>THORNHILL</b>						
Private Land	7	21	Full no space	None	No Municipal Land, busy with EIA.	No Caretaker, maintenance done by grass teams
<b>LOERIE</b>						
Loerieheuvel	7	19	61 sites	3 years	Explore new Cemetery	No Caretaker, maintenance done by grass teams

## Description of activities

- Identification and application for new cemeteries
- Maintenance of existing cemeteries
- Maintain electronic burial register system
- Digging, trimming and closing of graves
- Access control of cemeteries
- Cleaning and beautification of cemeteries
- Cleansing of public amenities at cemeteries
- Administration and maintenance of; The Wall of Remembrance

## Key challenges

- Cemeteries, in the low-cost areas, apart from not meeting the requirements, are filled or almost at full.
- Not dedicated team to provide for the maintenance service at all the cemeteries.
- Inadequate fencing at most of the cemeteries results in vandalism and unauthorised entries. Estimated costs to fence (17) seventeen existing cemeteries are R 10 000 000.00

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- The current Spatial Development Framework does not make provision for the development of new cemeteries.

## **Recommended Solutions:**

Appointing caretakers for all cemeteries to ensure proper management of the cemeteries.

Tender for fencing of the existing cemeteries has been awarded, and priority will be given to Hankey, C-Place, Patensie and part of Kwanomzamo over the three-year cycle.

## **CARAVAN PARK AND CAMPING**

### **Overview**

The coordination and control of all resorts and Caravan Parks within the Kouga jurisdiction.

### **Strategic objective**

The Communities have access to resorts which are well managed and maintained

### **Description of activities**

- The maintenance of all council caravan parks and resorts
- To identify needs and respond to customer complaints to ensure customer satisfaction.
- Reconciliations of bookings and invoices.
- Reservations and bookings

Maintenance and cleaning service is done 7days a week. Reservations are done by Caretakers

Income generated for financial year

Jeffreys Bay Caravan Park -	R 2 323 925.83
Pellsrus Caravan Park -	R 48 261.84
Humansdorp Caravan Park	R 64 007.07
Gamtoos Mouth Park -	R 59 839.00
Loerie Nature Reserve -	R 0
Yellow Woods -	R 0

### **Key challenges**

# Chapter 3

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- The Humansdorp resort used to be a very profitable entity, because the swimming pool was for resort users only, but the opening of the swimming pool to the general public has drifted prospected holiday makers away from this resort.
- The maintenance of these resorts is not up to standard due to the lack of resources.
- The ownership of the Gamtoos Resort is also a question that needs to be addressed, because it is registered in the name of SBDM.
- The lack of operational staff also resulted that resorts are neglected in terms of its maintenance programme.
- Non-provision of security at the resorts.

## **Recommended Solutions:**

- That Council investigate the viability of this program in relation to core functional priorities.

## **PARKS AND OPEN SPACES**

### **Overview**

The establishment and maintenance of public open spaces within the Kouga area.

### **Strategic objective**

- The Communities have access to Public Open Spaces and Gardens which are well managed and maintained.

### **Description of activities**

- Mowing of Grass (Verges, Picnic Areas, Public Open Spaces)
- Alien Vegetation/ Bush Clearing.
- Maintenance program for water plants, verges, open spaces, play parks.
- Removal of debris.
- Maintenance and beautification of open spaces, gardens and entrances.
- Maintenance of existing play parks.
- Development of new play parks.
- Procuring of equipment for play parks.
- Planting, Trimming and felling of trees.

Budget of R 800 000.00 was available for new equipment and tender was advertised, but bidders were non-responsive.

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## **Key challenges**

- Upgrading of existing play parks to set standards.
- Procuring of new playing equipment in the various play parks.
- Plant trees at the various play parks on sidewalks.
- The development of a sustainable Municipal open space plan and/ or the improvement thereof.
- All new developments must include facilities such as play parks.

## **Recommended Solutions:**

- That existing play parks be upgraded and maintained in a sustainable manner.
- That a proper public participation program be developed to engage affected communities to create a sense of ownership.
- That Council ensures that all new developments cater for sufficient land provision through the Spatial Development Framework to accommodate these recreational facilities.

# Chapter 3

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## 3.11 CHILDCARE; AGED CARE; SOCIAL PROGRAMMES

### **SPECIAL PROGRAMMES**

#### **Special Programmes Service Delivery Strategy and main role players**

The function of Special Programmes and HIV & AIDS for the Municipality is as follows:

- The implementation of Special Programmes for youth, children, women, the elderly; and people living with disabilities; and mainstreaming HIV & AIDS programmes including mitigation measures in communities and the development of social cohesion.

This service delivery strategy includes the following activities:

- Establishment of Forums for Women, Youth and People with Disabilities Empowerment
- Policy development on Youth Development, empowerment of people with disabilities and women empowerment,
- Formation of partnership with other sector departments in implementing programmes and campaigns,
- Establishment of a Kouga Youth Council, Women's Caucus and Disability Council

#### **Levels and Standards of the Special Programmes Unit**

The unit provides necessary support to the Executive Mayor. It ensures that all needs of the vulnerable groups are met, with special emphasis on five groups: youth, women people with disabilities, children and the elderly. Coordinates the delivery of community services plans and programmes through the provision of guidance on applications and processes to promote and achieve the social responsibility objectives of the municipality, execution of procedural and administrative requirements, interacting with community based structures to facilitate alignment of needs and priorities, creating awareness and encouraging participation and, attending to arrangements in respect of specific events/ programmes in accordance with budgetary allocation in order to ensure social upliftment and development objectives are accomplished

#### **Annual performance as per key performance indicators on Special Programmes Unit**



## Chapter 3

KPI	DESCRIPTION OF ACTIVITY	DATE	OUTCOMES
<b>Mandela Day Program</b>	Clean up of vlei at Kwa – Nomzamo, Humansdorp. Clearing alien vegetation and addressing safety risk for Kwa – Nomzamo Community & Mzingisi Primary School Children	18 July 2016	- Programme was successful
<b>Kouga Mayors Cup</b>	Kouga Mayor's Cup: Golf Tournament at Swartenbosch Golf Estate	22 July 2016	- Programme a success - Winners awarded with prizes
<b>Women's Programs</b>	Women's Day program by Department of Social Development at Dan Sandie Hall Ward 9	24 August 2016	- Programme a success - Presentations for women development
<b>Youth Programs</b>	1. Visit to Kouga – Humansdorp by China delegation (students) from Jincheng City through a partnership between Sarah Baartman & City of Jincheng. Purpose of visit was to see method of giving class and instruction.	1–2 September 2016	- Delegation taken to the grave of Sarah Baartman where the Khoi Traditional Leaders told the history of Sarah Baartman
	2. A Youth Leadership Development Activation Workshop by Provincial Department of Safety & Liaison, GIZ and German institution on crime workshop aimed at providing background information on the importance of Youth Forums, volunteerism and leadership in promoting community safety was held.	25 May 2017	- Youth Forums established
	3. Establishment of Youth Forums in various wards of Kouga Municipality	May / June 2017	- Commemoration of Youth Day. Kouga Forum established
	4. Establishment of a Kouga Youth Forum at the Newton Hall Jeffreys Bay	16 June 2017	

## Chapter 3

KPI	DESCRIPTION OF ACTIVITY	DATE	OUTCOMES
<b>Disability Programs</b>	1. Kouga Disability Day event held and Retina South Africa and the Association for Physically disabled persons to give messages of support on the day.	23 November 2016	- The programme was successful
	2. The Executive Mayor was the key note speaker and the Portfolio Councillor Social Services and Ward Council were also part of the event	26 – 27 March 2017	
	3. Five local disabled persons were sent for a two – day Employment Life Skills Programme in Port Elizabeth organised by Sarah Baartman and the Eastern Cape Disability Trust to equip and train persons with disabilities on CV developing, Interview Preparedness, Communication & Listening; Professionalism & Assertiveness		
<b>16 Days of Activism Campaign for No Violence Against Women &amp; Children</b>	1. Launch of the 16 Days campaign in Thornhill (Ward 7) in a form of a silent march to create awareness on the scourge of violence against women and children. The March was led by the Portfolio Councillor for Social Services	25 November 2016	- A memorandum handed over to the Station Commander
	2. A closing event for the 16 Days Campaign was held. The closing event took a form of a mass prayer where community members of wards 2, 14, 4, 5, 6 and 15 were in attendance.	09 December 2016	- The event was a success

## Chapter 3

KPI	DESCRIPTION OF ACTIVITY	DATE	OUTCOMES
<b>Children Programs</b>	<ol style="list-style-type: none"> <li>1. A Children's Rights Governance Training Workshop organised by South African Local Government Association and facilitated by Save the Child South Africa was held in Port Elizabeth. The purpose of the workshop was to induct councillors and officials on their role in mainstreaming and promoting the rights of children by ensuring that children issues are reflected in municipal IDP.</li> <li>2. Official handover of Nkqubela Crèche</li> </ol>	<p>28 – 29 March 2017</p> <p>18 November 2016</p>	Handover done
<b>Senior Citizens Programs</b>	<ol style="list-style-type: none"> <li>1. Christmas lunch held for elderly people of Jongilanga Club by Masiphakame NGO.</li> </ol>	19 December 2016	
<b>Events &amp; Workshops</b>	<ol style="list-style-type: none"> <li>1. Special Programmes participated in an International Substance and Drug Abuse event in Humansdorp – Gill Marcus by Bethcore Outreach NGO</li> <li>2. Special Programmes attended a Regeneration Workshop at Sundays River Valley – Addo by the Provincial and District Government. The workshop was aimed at establishing a District Moral Regeneration Movement and to develop action programmes</li> </ol>	<p>24 June 2017</p> <p>29 – 30 June 2017</p>	

## Chapter 3

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**Mayors Cup 2016**

## Chapter 3



**Program for Senior Citizens**



**Program for Disabled**



## Chapter 3



**Youth Outreach Programme**

### **Major Challenges in Special Programmes Unit and Remedial Action**

PROGRAMME	CHALLENGES	SOLUTION
Local Drug Action Committee	The LDAC was established on November 2016, the Executive Mayor appointed the members to serve on the committee. Despite this the committee is struggling to operate and to be fully functional.	A constitution with clear terms of references should be established to address proper functioning of the Local Drug Action Committee

# Chapter 3

## HIV and AIDS

### HIV & AIDS Service Delivery Strategy

- To provide the support the Executive Mayor.
- To ensure that all the needs of the community of Kouga are met with special emphasis on five focus groups: the youth, children, women, elderly people and people with disabilities and includes the HIV & AIDS aspects of the said groups.
- To improve the HIV /TB & AIDS status of the community of Kouga Municipality.

### Levels and Standards of HIV & AIDS

The function of HIV & Aids for the municipality is as follows;

- The implementation of mainstreaming of HIV & Aids programmes including mitigation measure in communities and the development of social cohesion

These functions included the following activities:

- Effective functioning of LAC, e.g. meetings takes place quarterly
- Training of Local Aids Council members on roles and responsibilities
- Formation and strengthening of partnership with other sector departments in implementing programmes and campaigns.
- Formation of ward based HIV & Aids Forums in all wards

### Annual performance as per key performance indicators on HIV & Aids

KPI	DESCRIPTION OF ACTIVITY	DATE	OUTCOMES
<b>Cancer Awareness Programs</b>	Cancer awareness programme for Kouga Women Employees aimed at educating women on their role in the battle of cancer, the myths and stigmas against cancer patients	24 – 26 October 2016	Women Reached: 40 – Jeffreys Bay 34 – Hankey 25 – Humansdorp 24 – EPWP
<b>Women's Month Programs</b>	Women's month celebration event at Weston Community Hall – Hankey focusing on encouraging women to form co -operations for self – empowerment	25 August 2016	Program was a success
<b>World AIDS Day</b>	World Aids Day Event with door – to door campaign as build – up to the main event in Sea vista	5 – 7 December 2016	Program was a success
<b>Condom, Teenage</b>	1. Awareness campaign on teenage pregnancy held at Lungiso High School – Humansdorp to emphasize effects of	19 October 2016	50 Learners reached

## Chapter 3

KPI	DESCRIPTION OF ACTIVITY	DATE	OUTCOMES
<b>Pregnancy &amp; STI Week</b>	teenage pregnancy disadvantages, HIV, STI, s. 2. Condom, teenage pregnancy and STI educational programme at Lungiso High School and Makukhanye Primary School was held in the form of group discussions on the impacts of teenage pregnancy, condom usage and STI.	14 February 2017	Leaners from Lungiso High school showed knowledge of the topics, attention to be given to Makukhanye
<b>TB Month Programs</b>	Implementation of the Farms Intervention model launched at Sundays River on the 9 <sup>th</sup> May 2017. The model aims at launching TB prevention in the Farming Communities, screening of farm workers, linking for treatment, identify other health needs, provide health education and promotion and strengthen system of care between Department of Health and the Farming Communities.	15 – 18 May 2017	Farm Workers reached: 662 TB Screened – 513 TB Suspects – 88 HIV Screening & Testing – 307 HIV Positive – 20 Pap Smear – 16 Condoms Distributed - 5450
<b>Candle Light Memorial</b>	The event was held at Nkqubela Crèche – Kwa – Nomzamo with door to door campaign conducted as build – up to the main event	25 May 2017	60 Community members reached - 13 HIV Counselling & Testing - 13 TB Screening Follow- up program to held in August 2017
<b>Local Aids Council</b>	Local Aids Council active	Quarterly	Local Aids Council Meeting held quarterly

### Annual HIV & AIDS Statistics

FACILITY	TOTAL CLIENTS ON ART 2015/2016	TOTAL CLIENTS POSITIVE 2015/2016	TOTAL CLIENTS ON ART 2016/2017	TOTAL CLIENTS TEST POSITIVE 2016/2017
ANDRIESKRAAL	68	10	66	17
HUMANSDORP CLINIC	1100	229	1110	130
KRUISFONTEIN CLINIC	520	75	280	51
IMIZAMO YETHU	259	92	584	50



## Chapter 3

FACILITY	TOTAL CLIENTS ON ART 2015/2016	TOTAL CLIENTS POSITIVE 2015/2016	TOTAL CLIENTS ON ART 2016/2017	TOTAL CLIENTS TEST POSITIVE 2016/2017
LOERIE CLINIC	166	23	173	13
LOERIE MOBILE	0		0	1
MASAKHANE (HANKEY)	423	147	492	95
PATENSIE 1	0	25	0	2
PELLSRUS CLINIC	1086	230	1318	130
ST FRANCIS BAY	428	53	429	72
SUURBRON	0	7	0	9
THORNHILL	161	27	177	12
WESTON	202	42	221	28
<b>TOTAL</b>	<b>4499</b>	<b>960</b>	<b>4850</b>	<b>605</b>

### Major Challenges and remedial action

PROGRAMME	CHALLENGES	SOLUTION
<b>Implementation of HIV &amp; Aids workplace programmes</b>	No policy in place to address HIV / AIDS workplace programmes	Development of HIV / AIDS workplace policy and programmes to ensure knowledgeable and educated workforce
<b>HIV &amp; Aids Community Awareness</b>	Poor attendance of Local Aids Council meetings	To ensure full participation by Ward Committees in the Local Aids Council.

## Chapter 3

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World Aids Day Program



# Chapter 3

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## COMPONENT E: ENVIRONMENTAL PROTECTION

### INTRODUCTION TO ENVIRONMENTAL PROTECTION

Environmental protection is a practice of protecting the natural environment on an individual, organization and government level, for the benefit of both the environment and humans. Due to the pressure of overconsumption, population and technology, the biophysical environment is being degraded, sometimes permanently. This has been recognised, and government has started placing restraints on activities that cause environmental degradation.

### 3.12 POLLUTION CONTROL

#### POLLUTION CONTROL

Pollution Control is the process of reducing or eliminating the release of pollutants (contaminates, usually human – made) into the environment. It is regulated by various environmental agencies that establish limits for the discharge of pollutants into the air, water, and land. A wide variety of devices and systems have been developed to control air and water pollution and solid waste.

Air pollution control can be divided into two categories: the control of particulate emissions and the control of gaseous emissions.

This KPA is still between Environmental Management and Health and Social Service due to the position of Environmental Control Officer being vacant. No cases of environmental pollution were handled between 2016/17 and matters if reported are forwarded to DEDEA. The only KPA that was done by this Section in terms of pollution control was the control of illegal dumping by conducting awareness education programs

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## 3.13 BIO-DIVERSITY; LANDSCAPE (INCL. OPEN SPACES); & COASTAL PROTECTION

### BIO-DIVERSITY AND LANDSCAPE

This KPA resides with DEDEA as the municipality does not have capacity.

## COMPONENT F: ENVIRONMENTAL HEALTH

### ENVIRONMENTAL HEALTH:

#### Environmental Health Service Delivery Strategy

- To improve the health status of communities through the identification, evaluation and control of critical factors that affect the physical, social and mental well – being of communities
- Environmental Health Services are mainly preventive health services, and are therefore largely protecting public health and preventing health hazards / risks and diseases

#### Levels and standards of Environmental Health Services

- The function of Environmental / Municipal Health Services for the Municipality is as follows;
- Kouga Municipality has entered into a Service Level Agreement with the Sarah Baartman District Municipality to render the Environmental / Municipal Health Services on behalf of the District Municipality, in its respective jurisdiction.

The functions of Environmental Health include the following activities:

- Water Quality Monitoring,
- Food Control,
- Waste Management: illegal dumping,
- Health Surveillance of premises,
- Pauper Burials: attending to applications for exhumations and reburials,
- Surveillance and prevention of communicable diseases,
- Vector control,
- Environmental pollution control, attending to complaints and health nuisances,
- Evaluation of cemeteries, mortuaries, and funeral undertaker premises,
- Active environmental education sessions and awareness campaigns / programs,

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- Business registration & hawker programmes

The above functions as rendered by the municipality exclude port health, and hazardous substances which are functions and the competency of the Eastern Cape Department of Health.

### Annual performance as per key performance indicators in Environmental Health Services

Description of the Activity and Analysis of the Function	Environmental Health	No. of Facilities	No. of Visits
<b>Surveillance of premises</b>	Inspection and evaluation of food premises, milk farms and other facilities to ensure compliance to all Health Regulations and to ensure that products sold to the public is fit for consumption	782	1872
<b>Water Quality Monitoring</b>	Water Quality Monitoring: Sampling of water for bacteriological and chemical analysis to ensure compliance with SANS 241 and to ensure that the water is fit for human consumption.	33 Sampling Points 12 X 33 Bacteriological 4 X 33 Chemical 30 X Failures	558
<b>Waste Management</b>	Waste Management: identification of illegal dumping sites to ensure a clean and healthy environment.	93 Sites	3356
<b>Health Surveillance of Premises</b>	Health Surveillance of Premises: Assessment of factors including ventilation, lighting, moisture and approval of building plans to ensure safety.	36 Building Plans	36
<b>Surveillance &amp; Prevention of communicable diseases</b>	Surveillance & Prevention of communicable diseases: Health and hygiene promotion to prevent communicable diseases and disease outbreaks.	Ongoing as per visit to facilities	
<b>Vector Control</b>	Vector Control: Vector control of public health interest including the control of anthropoids, rodents and other alternative hosts of diseases.	41 Facilities (Municipal Buildings)	41
<b>Environmental Pollution Control</b>	Environmental Pollution Control: Identification of polluting agents and their sources to ensure hygienic working living and recreational environment, e.g. management of overgrown plots.	1087 Notices for Plot Clearing	Cleared by Council: 75 Owners: 37

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<b>Disposal of the Dead</b>	Disposal of the Dead: Manage, control and monitoring exhumations and reburial or disposal of human remains	6 Applications	6 Approved
<b>Business Registration &amp; Hawkers Programme</b>	Business Registration & Hawkers Program: Registration of all new businesses in terms of the Business Act, including hawkers.	196 Applications	186 Approved





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### **Environmental Health Week Program Key Issues for 2016 / 2017**

The World Environmental Health Day Program was conducted at Humansdorp Secondary School during the month of October 2016. The target group for this programme was grade 8 and 9 learners from high a/o intermediate schools within the Kouga Municipal area. Ten schools were invited to the program but only eight attended and two declined the invitation. The schools that attended were:

1. Lungiso High School
2. Humansdorp Secondary School
3. Jeffreys Bay Comprehensive School
4. Vukani Intermediate School
5. Patensie High School
6. Loerie Heuwel
7. Weston Intermediate
8. Thornhill Combined

The two schools that declined the invitation were:

1. Nico Malan High School

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## 2. Hankey Secondary School

The international theme for World Environmental Health Day 2016 was "Tobacco Control... a response to the global tobacco pandemic".

The programme was an initiative of the Environmental Health Section of Kouga Municipality and other municipal departments involved were:

- Environmental & Waste Management;
- SPU &
- HIV & AIDS;
- Libraries & sector departments such as;
- Social Development.

Although the focus of World Environmental Day 2016 was tobacco control, topics as indicated below were also incorporated in the program for the day with the schools.

- Tobacco Control
- Waste Management
- HIV & AIDS and other related communicable diseases
- Abuse & teenage pregnancy

The purpose of this program was to educate the Grade 9 learners on:

- The dangers of smoking tobacco and tobacco products & tobacco control;
- The health benefits of quitting the habit of smoking;
- The negative effect of illegal dumping on the environment;
- What HIV & AIDS; & other related communicable diseases are;
- The rights of children; signs of abuse & who to contact when being in an abusive environment.

All the departments as mentioned above prepared and offered presentations on topics related to each department. Stalls with educational material and information were also exhibited for the attendees. The day and the overall program was a success.

National Water Week 2017 Educational Program was conducted at seventeen (17) primary schools (Grade 5 learners), during the month of March 2017 within the Kouga Municipal Area. National Water Week is an awareness campaign that aims to focus and highlight among other things the need to restore and preserve this precious resource i.e. water by respecting, saving and conserving i.e. using it sparingly as it is a limited resource. The schools that were reached with the programme are:

1. Masisebenze Primary School
2. Patensie Primary School
3. Chigwell Primary School



# Chapter 3

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4. Hankey Primary School
5. Laerskool Hankey
6. Weston Intermediate
7. Loerie Heuwel
8. Phumlile Primary School
9. Thornhill Combined School
10. Pellsrus Primary School
11. Makukhanye Primary School
12. Sea vista Primary School
13. Sandwater Primary School
14. Mzingisi Primary School
15. St Patrick Primary School
16. Graslaagte Primary School
17. Kruisfontein Primary School

The purpose of this program was to educate Grade 5 learners on:

- The importance of water for human beings, plants, animals and the general environment in which people live in,
- Highlight how water and infrastructure are linked and how important they are to life,
- To protect and save water as it is scarce and an important source of life
- Highlight the crucial link between water and health with the objective of eradicating water-borne diseases like cholera, diarrhoea etc.,
- To highlight the importance of protecting, rehabilitating and improving water environments such as streams, wetlands, waterways and beaches by adopting and cleaning dirty rivers, streams, wetlands or watersheds in our areas.

The main aim of the program was that all learners reached with the program can go back to their fellow learners and share with them what they have learned and thus becoming ambassadors for their schools and ultimately their homes and their communities. That each school will be encouraged to form School Health Committees within the school which will assist in addressing environmental health, health and other issues within their schools.

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### Water Week Program

Educational Tour of Nelson Mandela University's (NMU) Environmental Health Third Year Students was conducted in May 2017 within the Kouga Municipal Area. As part of their in-service training, the 3<sup>rd</sup> Year students of Nelson Mandela University visit Kouga Municipality on an annual basis for practical exposure in the field of Environmental Health. Thus, the Environmental Health Practitioners together with the lecturers from the university takes these students on day trips to different outlets / premises to introduce and give the students the necessary practical exposure in the field.

The educational tour for 2017 took place during the week of 08 – 12 May 2017, with a total of eleven (11) students and three (3) lecturers. The following premises were visited:

- |                                    |  |
|------------------------------------|--|
| • Just Water Jeffreys Bay          | - Bottled Water purification & packaging   |
| • Pick 'n Pay Jeffreys Bay         | - Food & Meat Safety                       |
| • Noah's Ark ECDC                  | - Health Surveillance of Childhood Centres |
| • Balobi Processors St Francis Bay | - Food Safety                              |
| • Humansdorp Water Works           | - Water treatment & purification           |
| • Humansdorp Sewerage Works        | - Processing & treatment of raw sewerage   |

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- Patensie Correctional Services - Health & Safety; Hygiene requirements
- Humansdorp Waste Site - Waste Management
- Woodlands Dairy Humansdorp products - Production, packaging of milk & milk
- Die Glen Milk Farm - Milk production

Presentation on Communicable diseases was offered by the Department of Health; and Port Health offered a presentation on Food safety & Security: importing and exporting of food products.



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**Nelson Mandela University Tour**

**Pest Control is an ongoing program rendered by Kouga Pest Control as the service provider.**

- Pest control is conducted at all Municipal buildings for the elimination, control & prevention of all types of pests. Municipal buildings are fumigated and bait stations placed accordingly at strategic points.

**Health Education & awareness as an ongoing program.**

- Health education with shop owners and food / meat handlers and persons in charge is also conducted on an ongoing basis during visit and inspections at food premises, butcheries, general dealers, house shops and funeral parlours.
- Schools and day care centres are also visited regularly and health education on good hygiene and sanitation practices is conducted with learners, teachers and care givers with the aim of preventing ill – health and communicable diseases.



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### Major challenges in Environmental Health Services and remedial action

KPI	CHALLENGE	POSSIBLE SOLUTION
Environmental Pollution Control	Clearing of overgrown plots: Plot Clearing Team consist of only one foreman & 10 general workers with no machine operators; No policy that gives guidance to address overgrown plot issues	Additional manpower to be prioritized especially machine operators; Team be provided with enough resources; A policy that will assist & give guide in addressing the issue of private overgrown plots be developed & approved by Council
Business registration	Influx and mushrooming of Spaza Shops in all areas of Kouga	Policy on Spaza Shops developed and workshopped. Awaiting approval by Council.
Hawker Registration	Influx and mushrooming of Hawkers in all areas of Kouga resulting in difficulty in managing and monitoring	Policy on Informal Trading developed. Awaiting workshop and approval by Council.



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**Health Education Program**

## COMPONENT G: SECURITY AND SAFETY

### SAFETY & SECURITY

#### Traffic Law Enforcement

- **Overview:** Road accidents claim thousands of lives on South African roads and it is essential to have a well-equipped road traffic enforcement agency, to influence driver behaviour. Law enforcement is guided by the National Road Traffic Act 93/1996 and supported by the Criminal Procedure Act 51/1977.

#### **Functions:**

- Road Traffic Safety is the mandate of the department of Transport. This mandate is delegated to provincial and local authorities.
- High visible traffic policing is essential on a continuous basis to ensure a safe road environment. The Traffic Law Enforcement section works closely with other relevant law enforcement stakeholders for example the South African Police Service (SAPS) and the Department of Justice.

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- Patrols are performed on various national, provincial and local roads in the Kouga area. Roadblocks are held to check driver and vehicle fitness. Taxi related traffic violations have increased. Taxi violence erupted due to territorial disputes and a Humansdorp Taxi Association member was killed.
- Scholar patrol training was extended to Gamtoos Primary school in Patensie where a new scholar patrol was established. Schools are continuously trained and supplied with the relevant equipment through the Department of Transport.



- **Law enforcement:** 4 817 handwritten fines were issued to the value of R3 234 000. 1 358 of these fines were paid to the value of R432 290. 31 680 Speed camera fines were issued to the value of R9 736 800. 5 377 of these fines were paid to the value of R1 531 230. The average payment rate is 16%. The low payment rate reflects the current socio-economic situation in the country at large. Courts are also contributing the low income as it reduces and withdraws fines based on affordability. A total of R1 964 520 was received as income from traffic related fines.



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## **Major Challenges**

- Five of the eight patrol vehicles in operation have reached the end of useful life and are constantly out of commission. This places an enormous strain on traffic related service delivery.
- Vacant positions of traffic officers are not filled
- Equipment (Safety gear, roadblock trailers and temporary road signs) are needed.

## **Recommendations**

- The procurement of vehicles must be done urgently.
- Vacant positions of traffic officers need to be filled.
- The acquisition of firearms and bullet proof jackets must be finalised.

## **Municipal By-Law Enforcement**

- 7 law enforcement officers are employed to enforce the Municipal By-laws. Two law enforcement officers were dismissed and reinstated during this financial year.
- Daily duties entail patrol duties on the main beaches, CBD areas and other high priority areas. High visibility in residential areas is important. Operations in cooperation with other law enforcement agencies are done on a regular basis to eradicate illegal taverns and illegal occupation of council buildings/land.
- Peace Officers are assisting to impound stray animals daily. Other municipal departments are assisted with disconnection of water and electricity, illegal dumping and monitoring of Spaza shops. Serious complaints are prioritised.

## **Recommendations**

- The procurement of vehicles must be done urgently.
- Vacant positions of law enforcement officers need to be filled.

## **Major Challenges**

- There is only one patrol vehicle to perform shift duties and attend to complaints. The double cab vehicle was written off by the insurance.
- Additional law enforcement staff is needed to effectively cover the whole area.
- A proper animal pound is needed to house impounded stray animals.
- Not enough vehicles are available to effectively perform duties.



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- Boats are out of commission due to non-seaworthiness.
- Stray animals remain a concern as municipal boundaries are not properly fenced.



### **Driver's License testing centre and Roadworthy testing centre**

- **Functions:** The Humansdorp drivers licence testing centre makes provision to test light and heavy motor vehicles, as well as renewal of driver licences and professional driving permits. Humansdorp operates from Monday to Saturday.
- Hankey driving licence testing centre only performs learners licence tests. The Hankey learner licence centre was closed by the Inspectorate of National Transport as a result of the poor condition of the learner's licence testing material (books). The material was only procured in February 2017 and re-opened after compliance was checked. An on-site management representative is still required at Hankey Driving/Learner License Centre.
- These centres serve the whole of the Kouga area and also receives a lot of applicants from all surrounding Municipal areas.
- The Vehicle testing station in Humansdorp was out of commission but was repaired at a cost of R230 000 and has been in operation since May 2017. This section generated an income of R3 499 345 for this financial year up to 31<sup>st</sup> May 2017.

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- A number of 3762 driving license applicants were tested, 1868 passed (49,7%) 1 464 (38,9%) failed and 395 (10,5%) were absent.
- A total of 2 544 learners' applicants were tested, 1 592 (62,6%) passed. 760 (29,9%) failed and 189 (7,4%) were absent.

## Recommendations

- The training of cashiers for the Humansdorp Drivers Licence Testing Centre needs to be prioritized.
- Filing space needs to be identified.
- Air conditioners need to be prioritized as it is a compliance matter in Hankey and Humansdorp.
- Replacement of outdated furniture and equipment.
- A cashier must be appointed at the Vehicle Testing station to reduce public inconvenience.

## Major challenges

- Need for a bigger testing track to accommodate more tests per hour.
- The training of more cashiers.
- Centralisation of the function for efficient monitoring, control and supervision.
- The lack of office space remains a huge challenge.
- Replacement of old and redundant equipment by the Department of Transport.
- Filling of pit assistant position.

## Registration and Licensing:

- **Function:** Municipalities act as agents for the Department of Transport to register and licence vehicles. The municipality receives a 19% agency fee for delivering this service i.e. R2 880 070, 20. DOT receives transaction fees of R390 618.
- Registration/deregistration and Licensing of vehicles
- Capturing of data onto the e-Natis system.
- To forward vehicle related transactions to the helpdesk to be processed as well as requests and complaints.
- Approximately ± 2 800 vehicles were registered, and ± 19 500 vehicles licensed.

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- 381 Duplicate Documents, 58 Special Permits, 103 Temporary Permits, 29 Allocations of Specific Numbers to vehicles, ±24 Roadworthy Transactions was done.

### Major Challenges

- The building is not suitable for the type of service
- There is no adequate space for filing.
- The appointment of staff in critical vacant positions.
- The payment to the Department of Transport of outstanding debt, must be prioritized.
- No budget provision for Administrative Adjudication for Traffic Offences (AARTO) compliance as prescribed by the AARTO Act 46 of 1998.

### Recommendations

- Filing space needs to be identified



Vehicle Testing Centre

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## Security

- Functions: Performing access control, monitoring and visible patrolling on a 24/7 basis. Municipal key point e.g. water treatments plants, sewerage & plants need to be guarded 24/7. Initially 50 sites were identified and a number of 66 guards needed, only 42 were appointed. Currently only 19 guards are left due to some resign, pass away, other reached retirement age others were promoted or applied for vacant positions in Council. During the festive season, this section employed 10 contractual guards for a period of six months.
- This section strives to ensure that municipal assets/property is protected against theft and burglary. Its mandate is also to ensure the human capital is safeguarded when on duty.

## Major Challenges

- The vehicle used to patrol and visiting sites is ageing and reached its useful life
- Staff compliment is not sufficient to deal with the challenges
- CCTV cameras are still not installed.

## Recommendations

- The procurement of vehicles must be done urgently.
- Vacant positions of security officers need to be filled.

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### 3.14 FIRE

#### Overview

Fire service is a vital public service and part of the fabric of all communities. The service it provides is essential in preventing fires and in responding quickly and effectively to those incidents with which it has to deal. Increasingly, it is now developing a wider role. That role involves dealing with new threats we are now facing such as flooding and other environmental disasters.

#### **Fire kills. Preventing fires saves lives and reduces injuries.**

The number of lives lost and injuries sustained as a result of fires are alarming. Statistics of Kouga in its analysis of the cause of death is mainly informal structure fires and motor vehicle accidents.

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The fire problem is further compounded by the living conditions in informal settlements characterised by narrow streets which are inaccessible to fire service vehicles as well as the lack of street names which complicates endeavours to reach people in need.

These informal settlements comprise of shacks built with highly combustible materials (frequently wood and plastic) & in close proximity to each other which increases the risk of fires spreading in these areas.

To keep up with the demand, fire stations are located in Humansdorp (headquarters), and satellite fire stations in Jeffrey's Bay, Hankey and St Francis Bay.

Satellite fire stations are intended to reduce the response time to incidents to render a more effective firefighting service.

## **Functional strategies:**

- Improve fire-fighting and rescue capabilities
- Improve personal safety of fire-fighters
- Improve public knowledge of fire prevention
- Improve fire safety standards of premises with fire risks
- Maintain and update the Disaster Management Plan in conjunction with Sarah Baartman District Municipality
- Improve training levels

## **Key Challenges**

The diverse topography and poor road infrastructure, long distances to remote communities and poor communications also hamper the effectiveness of the service.

The challenges need to be addressed by procuring rough terrain vehicles with large water carrying capacities.

Travelling distances between towns in Kouga area hamper effective service delivery in the following aspects:

- There are no satellite fire stations in Patensie, Loerie, Thornhill and Oyster Bay. St Francis Bay fire station is not operational 24/7.
- Insufficient vehicles and equipment.
- Not enough staff to render a 24/7 service throughout Kouga.

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## Recommended Solutions

- Adequate budget to be made available for the provision and upgrading of infrastructure in Kouga.
- The appointment of staff to be addressed in the list of critical positions; to be filled in the 17/18 financial year.
- New equipment and vehicles are budgeted for in the 17/18 financial year.
- The establishment of a satellite fire station in Oyster Bay is in progress and at foundation phase.
- (There was no funding from Sarah Baartman for satellite stations in Hankey and Patensie, but St Francis is operational)

A full time professional fire service will provide support to nearby towns and areas in terms of experience, operational support, training, awareness programs, demonstration, fire prevention and law enforcement. The most important advantage of an integrated fire service is the rapid deployment of specialized vehicles, equipment and staff to all areas or towns throughout the district with less duplication and cost.

## Legal requirements

In terms of Section 84(1)(j) of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998), the District is responsible for the functions mentioned below:

- Planning, co-ordination and regulation of fire services;
- Specialised firefighting services such as mountain, veld and chemical fire services;
- Coordination of the standardisation of infrastructure, vehicles, equipment and procedures;
- Training of fire officers.

Kouga Municipality entered into a service level agreement with the Sarah Baartman District to perform the services on their behalf. The District contributes financially as per the formula in the service level agreement. The benefits of this arrangement needs to be reviewed, with a view to protecting the interest of the Kouga Municipality.

During 2016/2017 this service responded to a total of 696 incidents.

Category	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter	Total
Buildings	3	1	1	3	8
Dwellings (formal brick)	6	4	4	6	20

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Category	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter	Total
Informal dwellings (shacks)	15	19	21	10	<b>65</b>
Electrical	2	1	2	0	<b>5</b>
Refuse/Waste	7	0	22	7	<b>36</b>
Vegetation	62	130	151	29	<b>372</b>
Transport	5	5	3	4	<b>17</b>
Other (not above)	1	9	9	2	<b>21</b>
Accidents	39	41	42	22	<b>144</b>
Rescues	1	0	1	0	<b>2</b>
Spillage (oil)	2	0	0	1	<b>3</b>
Miscellaneous	0	0	0	2	<b>2</b>
Other	0	0	1	0	<b>1</b>
<b>TOTAL</b>	<b>143</b>	<b>210</b>	<b>257</b>	<b>86</b>	<b>696</b>

### Vehicles

Vehicles in the Fire Department are old and constantly break down during firefighting activities. The fact that we don't have a proper replacement policy to replace old and depleted fleet, also contributes to the aging vehicles still being in use.

Type of vehicle	Where operational	Model	Replacement
Dennis	Jeffrey's Bay	1993	Yes (currently out of commission)
Dennis	St Francis bay	1994	Yes (currently out of commission)
Toyota Tanker	St Francis Bay	1990	Yes
Nissan Tanker	Humansdorp	1991	Yes
Toyota Hino	Humansdorp	2006	No
Toyota Land cruse	Hankey	2009	No
Toyota Land cruse	Humansdorp	2009	No
Toyota Land cruse	Humansdorp	2004	Burnt out
GMC	Humansdorp	1987	Yes
Ford Ranger	Humansdorp	2006	No
Ford LDV	Humansdorp	2002	Yes

### TRAINING AND DEVELOPMENT

The Kouga Municipality, like all other local authorities, must submit a Workplace Skills Plan to LGSETA in terms of the Skills Development Act, (Act 97 of 1998) and related legislation.



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No training is currently provided to fire fighters and this department relies on the Sarah Baartman District Municipality for training. All the training is funded by the District.

Officials enrolled for the Firefighter 1 course at the Rural Metro Training Academy in order to obtain their Part 1 of the NFPA 1001 qualification, which consists of Firefighter 1, Hazmat Awareness and First Aid Level 3.

This is the entry level for professional firefighters working under direct supervision and exposes learners to the fundamentals of firefighting. The South African Emergency Services Institute (SAESI) accepts the NFPA 1001 international qualification as the South African level of competence to perform as a professional firefighter.

The demanding course ran for four (4) months. Firefighter 1 is a twelve-week commitment that tests each learner physically, mentally, emotionally and spiritually. The daily programme starts promptly at 08:00 and ends at 17:00, with learners undergoing rigorous training exercises on a daily basis.

After qualifying, they enrolled for Fire Fighter 2 and Hazmat Operational.

Number of staff trained	Course	Where trained	Funded by who
Twelve (12)	Fire Fighter 1 & 2, Hazmat Awareness, Operational and level 3 First Aid	Rural Metro	Sarah Baartman District Municipality

### Trained staff to date

Staff completed fire fighter one and hazmat awareness	Staff completed fire fighter two and hazmat operational	Staff completed Basic Ambulance Assistant Course	Staff completed Level 3 First Aid Course	Staff completed Higher Certificate, Diploma & Higher Diploma
38	35	7	39	3

### Capital projects for 2016/2017

Department	Description	Amount allocated	Comments
Fire	Upgrade of fire hydrants	R 240 000.00	Internal funding.



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Department	Description	Amount allocated	Comments
			25 were completed. Still in progress
	Satellite fire station for Oyster Bay	R 1 000 000.00	Internal funding. Still in progress
		<b>R 1 240 000.00</b>	

Sixty (60) fire hydrants were standardized throughout the entire Kouga area. All of these fire hydrants were funded by Kouga Municipality. A Fire-fighting trailer is operational and in use to assist the Oyster Bay Community during fires.



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## 3.15 OTHER (DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES AND OTHER)

### **DISASTER MANAGEMENT**

#### **Overview**

The objectives of the Disaster Management Division are to promote a culture of risk reduction, disaster prevention and mitigation within Kouga Municipality as well as the District Municipality. It also acts as a repository and conduit of disaster management related information and aims to capacitate communities. Furthermore, it promotes a rapid, co-ordinated and effective response to disastrous events by all role-players.

#### **The Disaster Management Act**

The Disaster Management Amendment Act No16 of 2015, provides for an integrated and co-ordinated disaster management policy that focuses on preventing or reducing the risk of disaster, mitigating the severity of disaster, emergency preparedness, rapid and effective response to disaster and post –disaster recovery and rehabilitation, the establishment and functioning of national, provincial, and municipal disaster management centres, disaster management volunteers and matters incidental thereto.

The implementation of the Principle Disaster Management Act, beginning 2003 has posed significant challenges particularly at the level of local municipalities. The purpose of the review of the act was to tackle identified challenges by maximizing the effect of disaster legislation to communities, especially those at risk.

The Municipal Disaster Risk Management Plan(DRM) is designed to establish the framework for implementation of the provisions of the Disaster Management Act, 57 of 2002, as well as the related provisions of the Municipal Systems Act, 32 of 2000.

The purpose of the Municipal DRM Plan is to outline policy and procedures for both the pro-active disaster prevention and the reactive disaster response and mitigation phases of Disaster Risk Management.

It is intended to facilitate multi-agency and multi-jurisdictional co-ordination in both pro-active and re-active related programs.

The Kouga Municipal Disaster Management Advisory Forum (KMDMAF) must establish and implement a policy framework for Disaster Risk Management in the municipality aimed at ensuring an integrated and common approach to Disaster Risk Management entities in its area.

The Kouga Municipal Disaster Risk Management Policy Framework will be –

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- (a) consistent with the provisions of the Disaster Management Act;
- (b) consistent with the District Disaster Risk Management Framework; and
- (c) consistent with the Disaster Risk Management Policy Framework of the Provincial Government: Eastern Cape.

The Disaster Risk Management Centre (DRMC) will be the custodian of the Municipal (or Kouga -wide) Disaster Risk Management Plan.

Individual Services / Directorates, Departments and other role-players / entities will be responsible for the compilation and maintenance of their own Services / Entities Disaster Risk Management plans. Along with the various specific Hazard DRM Plans, the Service / Entity DRM Plans will be considered an integral part of the Municipal Disaster Risk Management Plan.

## **Vehicle Component**

This Department operates with only one vehicle.

## **Awareness training for learner's project**

The Disaster Management Division conducted multiple training sessions at primary schools. The purpose was to make juveniles aware of hazards and risk factors in their environment and to inform communities of what they had learnt.

A smoke detector pilot project was launched in Sea Vista informal settlement to prevent the spread of fires in the area. This project was in collaboration with SANTAM and the District. A total number of 593 people benefitted from the project.

The main aim is to make the community as well as the private sector aware of the following key aspects:

## **Prevention**

- Kouga Municipality aims to eliminate or reduce the number of incidents or severity of emergencies.

## **Preparedness**

- Kouga Municipality works to ensure that individuals and communities are able to prevent and respond effectively to emergencies. This includes: conducting assessments of the likelihood and severity of risks and identifying ways to mitigate the potential impacts of an emergency.

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## Response

- On being dispatched to an incident the Kouga Municipality minimises the impact of the incident and provides affected individuals and communities with immediate relief and support. The municipality responds to approximately 600 calls a year covering fires, hazardous incidents, automatic alarms, road accidents, medical emergencies, urban search and rescue and marine incidents.

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## Recovery

- Kouga Municipality supports emergency-affected individuals and communities and aims to restore emotional, social, economic and physical wellbeing. The municipality works with partners to ensure that the community and its resources are protected and maintained, following an incident.

## Simulation exercises

The division participated and supported two simulation exercises, namely at the Isivivana Hospital in Humansdorp and Woodlands Dairy in Humansdorp. The exercise at Woodlands simulated a hazardous chemical spill.

The Event Management Act 2010 forms part of the disaster management function as it is a legislative requirement.

- Deals with the compliance of all event risks.
- On-site inspections of all areas where tents are erected.

## Challenges in this section

- Disaster management plan needs to be revised on an annual basis.
- Ward based risk assessment plans needs to be incorporated into the disaster management plan. SBDM appointed a service provider to compile a ward based risk assessment plan for Kouga. This project is still on going.
- Sub Committees to keep information updated to keep disaster plan updated.
- Upgraded the disaster management centre.
- Staff shortage

## Possible Solutions

- Keep disaster risk management plan updated as developments increase in Kouga area.
- Review of the Disaster Management Advisory Forums
- Functioning of the Disaster Advice Committee meetings

## Chapter 3

- Appointment of additional staff
- Establish a fully-fledged disaster control center.



### Event management

The Event Management Act 2010 forms part of the disaster management function as it is a legislative requirement.

- Deals with the compliance of all event risks.
- On-site inspections of all areas where tents are erected.

### Risk in different areas in Kouga

Call	HIGH	LOW	Challenges
Humansdorp	Floods  Domestic Fire		Storm Water System Maintenance. Informal Settlement Areas. Social factors

## Chapter 3

Call	HIGH	LOW	Challenges
St Francis Bay	Domestic Fire  Structure Fire  Flooding	Sea level	Domestic fires are high in the formal and informal areas due to Social challenges. Structure fires are a high-risk due to electrical and Social factors. Sea Risen due to Climate Change and Global Warming factors. Formal and informal areas get flooded due to lack of storm water system and maintenance
Oyster Bay	Flooding  Domestic Fire	Sea level	Formal and informal areas get flooded due to lack of storm water system and maintenance. Domestic fires are high in the formal and informal areas due to Social challenges Sea Risen due to Climate Change and Global Warming factors
Jeffreys Bay	Domestic Fire  Flooding	Sea level	Domestic fires are high in the formal and informal areas due to Social challenges Formal and informal areas get flooded due to lack of storm water system and maintenance. Sea risen due to Climate Change and Global Warming factors.
Thornhill	Flooding  Domestic Fire	Veld Fire (Bush Plant)	Formal and informal areas get flooded due to lack of storm water system and maintenance Domestic fires are high in the formal and informal areas due to Social challenges. Bush fires and Plantation forestry
Hankey	Domestic Fire  Flooding		Domestic fires are high in the formal and informal areas due to Social challenges. Informal Settlement; Stofwolk
Patensie	Domestic Fire  Flooding		Domestic fires are high in the formal and informal areas due to Social challenges.

# Chapter 3

Call	HIGH	LOW	Challenges
			Flooding is more in the low line farm areas

## COMPONENT H: SPORT AND RECREATION

### 3.16 SPORTS & RECREATION

#### **SPORT AND RECREATION FACILITIES**

##### **Overview**

Includes all activities associated with the provision of Sport and Recreational Facilities.

##### **Strategic Objective**

Communities have access to recreational facilities that are well maintained in an affordable manner.

##### **Description of the Activity:**

The provision of various community and social services within the municipality is administered as follows and includes:

- Control of all existing sport facilities
- Control of all existing community recreation facilities
- Maintenance programs for both sport & recreation facilities
- Marking of pitches
- Preparation for special events at all facilities.
- Identification and application for new facilities as the need arises
- Handling of reservations
- Reconciliations
- Procurement of required amenity equipment.

##### **Level and Standard of Services**

Thornhill Sport field was upgraded, which commenced in 2015/16 financial and was completed in 2016/17 to the value of R4 142 644.00

##### **Key Challenges**

- Vandalism of existing infrastructure.
- Vacant caretaker position.



## Chapter 3

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- The planning of new low-income development does not provide sufficient suitable land for the development of recreational facilities.
- Insufficient budget for establishment of new sports fields and maintenance.

### **Recommended Solutions:**

- Council considers custodianship for sport clubs for the upkeep and maintenance of the existing sport facilities.
- Adequate provision be made in the Spatial Development Framework for the land acquisition process to accommodate recreational facilities in new developments.
- Filling of vacant caretaker positions





# Chapter 3

## COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

### 3.17 HUMAN RESOURCE SERVICES

#### INTRODUCTION TO HUMAN RESOURCE SERVICES

The Human Resources Section has as its primary objective the recruitment, selection and appointment of suitable staff to enable the Institution to attain the Institutional Objectives as detailed in the Integrated Development Plan. Further to the primary objective, the Human Resource section provides administrative personnel support services on matters such as employee benefits and Labour Relations, Employment Equity and Skills Development.

The year under review brought about a change in political leadership which impacted positively on the Human Resource Section. The first effect of the change in leadership was the implementation of the TASK Salary Grading System with effect 1 November 2016. Further, the large number of acting appointments in vacant positions were mitigated through the conclusion of a settlement agreement with labour which resulted in 24 appointments being made in such vacant positions during the year under review with a further 24 appointments scheduled the commencement of the 2017/18 year.

Acting appointments for extended periods due to vacancies, however, remains a concern which must be addressed as a matter of urgency.

The Organogram review scheduled with the adoption of the Integrated Development Plan for the 2016/17 year was postponed pending the outcome of the Municipal Elections on 3 August 2016. The Organogram review was concluded during June 2017.

A further development that impacted on the Human Resource Section was the implementation of a list of critical vacancies and the approval for the filling of positions from this list.

The contracts of 75 EPWP workers was terminated end February 2017 to be complaint to the legislative provisions on the rotational appointments of EPWP employees and the fact that such appointments are project based. The matter is however currently on review at the level of the South African Local Government Bargaining Council on

## Chapter 3

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grounds of the deeming provisions of Section 198 (B) of the Labour Relations Act for continuous renewal of these contractual appointments.

The Human Resource Section managed to work towards the settlement of the outstanding return of earnings with the Department of Labour and the efforts in this regard shall lead to the matter being settled early in the 2017/18 year.

The Occupational Health and Safety Section resorts under the Environmental Health Section in the Directorate Social Services. This was found to be a shortcoming and Council in principle agreed to the relocation of the Occupational Health and Safety Section to the Human Resource Section with the first Organogram review scheduled for the 2017/18 year.

The Human Resource Section has functioned without an appointed Human Resources Manager. The function was performed by an employee on a voluntary assistance basis. Council and Management agreed to commence with the recruitment and selection processes for the permanent appointment of a Human Resources Manager with the target date for appointment during the first quarter of the 2017/18 year.

With the limited staff and the restrictive office accommodation, the Human Resource Section managed to maintain service delivery at a reasonable level.



## Chapter 3

### SERVICE STATISTICS FOR HUMAN RESOURCE SERVICES

**Staff numbers** as at 30 June 2017 was as follows:

Permanent staff	818
Section 56/57	6
Contractual Employees	195
EPWP	33
<b>Total</b>	<b>1 052</b>

**Pension/Provident fund** membership as at 30 June 2017 was as follows:

Cape Retirement Fund	389
Cape Joint Pension Fund	2
National Fund for Municipal Workers	6
SA Local Authorities Pension Fund	13
Municipal Workers Retirement Fund	209
Momentum Provident Fund	3
Municipal Councillors Pension Fund	4
<b>Total</b>	<b>626</b>

(It must be noted that Contractual Employees and EPWP workers are not required to join a pension/provident fund and Councillor statistics are not included in the total employee numbers above)

**Medical Aid** membership as at 30 June 2017 was as follows:

Bonitas	149
Key Health	20
Hosmed	67
LA Health	147
SAMWU Med	73
<b>Total</b>	<b>456</b>

It must be noted that participation in a medical aid scheme is not compulsory

## Chapter 3

**Trade Union** membership as at 30 June 2017 was as follows:

SAMWU	567
IMATU	235
Agency Shop	16
<b>Total</b>	<b>818</b>

It must be noted that where employees opt not to join a Trade Union an agency shop fee is levied from the employees as provided for in the Main Collective Agreement to prevent free riders.

The **Demographics by gender** as at 30 June 2017 was as follows:

Section 56/57 (Senior Management)	Male	4	Female	2
Permanent	Male	563	Female	255
Contractual	Male	115	Female	80
EPWP	Male	21	Female	12
<b>Total</b>	<b>Male</b>	<b>703</b>	<b>Female</b>	<b>349</b>
	Male	66.8%	Female	33.2%

The **Demographics by race** as at 30 June 2017 were as follows:

Section 56/57 (Senior Management)	African	2	Coloured	3	White	1
Permanent	African	393	Coloured	387	White	38
Contractual	African	89	Coloured	84	White	22
EPWP	African	21	Coloured	12	White	0
<b>Total</b>	<b>African</b>	<b>505</b>	<b>Coloured</b>	<b>486</b>	<b>White</b>	<b>61</b>

African	48%	Coloured	46.2%	White	5.8%
		Indian	0%	Other	0%

As per the 2011 Census the demographics of Kouga is as follows:

African	38.83%
Coloured	42.60%
Asian	0.25%
White	17.63%
Other	0.68%

## Chapter 3

The Demographics by age as at 30 June 2017 were as follows:

Category	Age Groups						
	19-29	30-39	40-49	50-59	60-65	65+	
Section 56/57	0	0	1	5	0	0	
Permanent	24	218	333	208	35	0	
Contractual	35	44	54	25	13	24	
EPWP	17	12	3	1	0	0	
Totals	76	274	391	239	48	24	1 052

Age representation in the workplace is as follows:

19-29	7.2%
30-39	26%
40-49	37.2%
50-59	22.8%
60-65	4.5%
65+	2.3%

### Staff with disabilities

None of the current staff members listed disabilities and as such can Kouga not list staff numbers with disabilities

HUMAN RESOURCES OBJECTIVES AS INCLUDED IN THE 2016/17 INTEGRATED DEVELOPMENT PLAN			
ANNUAL TARGETS	ACHIEVEMENT	PRIOR YEAR ACHIEVEMENT	COMMENT
100% Compliance with the implementation of the employment equity plan in respect of the 3 highest levels of employment	Senior Management (Levels 1-2) - Target 1 Coloured Male 2 Target 1 White Male 2 (1 White male appointed 6 June 2017) – target 0	Senior Management Levels 1-2): African Male 1 (up to 31 May 2017) - Target 1 Coloured Male 2 Target 1 White Male 1 – target 0	Not compliant with the Employment Equity Plan Targets. It must be noted that Employment Equity targets can only be achieved through the natural attrition principles where

# Chapter 3

HUMAN RESOURCES OBJECTIVES AS INCLUDED IN THE 2016/17 INTEGRATED DEVELOPMENT PLAN			
	<p>African Female 1 – Target 1</p> <p>Coloured Female 1 – Target 1</p> <p>White Female 0 - Target 1</p> <p>Management (Level 3)</p> <p>African Male 0 -Target 3</p> <p>Coloured Male 1 -Target 3</p> <p>White Male 3 -Target 1</p> <p>African Female 3 – Target 3</p> <p>Coloured Female 3 -Target 3</p> <p>White Female 2 -Target 1</p>	<p>African Female 1 – Target 1</p> <p>Coloured Female 1 – Target 1</p> <p>White Female 0 - Target 1</p> <p>Management (Level 3)</p> <p>African Male 0 -Target 3</p> <p>Coloured Male 1 -Target 3</p> <p>White Male 3 -Target 1</p> <p>African Female 3 – Target 3</p> <p>Coloured Female 3 -Target 3</p> <p>White Female 2 -Target 1</p>	<p>new appointments are made in positions and/or where new positions are created and approved for filling.</p>
100% Expenditure of SETA funding received for staff development	No LGSETA Mandatory grant funding was paid over to Kouga Municipality and as such could the target not be implemented or achieved	0% for reason that no LGSETA mandatory grant funding was paid to Kouga for the 2015/16 year.	It must be noted that LGSETA mandatory grant funding was not paid over to Kouga for the 2015/16 and 2016/17 years for reason that LGSETA allege that an overpayment was made to Kouga In previous years. LGSETA could not provide proof of such overpayment and the matter is investigated.
100% Compliance with the work place skills plan	For reason that no mandatory grant funding was paid over to Kouga for the implementation of the Work Place Skills Plan could the target not be achieved.	0% for reason that no mandatory grant funding was paid over to Kouga by LGSETA	Some internal funding was utilized for the implementation of some aspects of the Work Place Skills Plan.
1% of total staff salary budget contributed to SETA for skills development initiatives	1% of the total salary budget was paid over to LGSETA	1% of the total salary budget was paid over to LGSETA	This a mandatory payment to LGSETA

## Chapter 3

HUMAN RESOURCES OBJECTIVES AS INCLUDED IN THE 2016/17 INTEGRATED DEVELOPMENT PLAN			
100% Compliance with the implementation of the employment equity plan in respect of the 3 highest levels of employment	<p>Senior Management (Levels 1-2)</p> <p>- Target 1</p> <p>Coloured Male 2 Target 1</p> <p>White Male 2 (1 White male appointed 6 June 2017) – target 0</p> <p>African Female 1 – Target 1</p> <p>Coloured Female 1 – Target 1</p> <p>White Female 0 - Target 1</p> <p>Management (Level 3)</p> <p>African Male 0 -Target 3</p> <p>Coloured Male 1 -Target 3</p> <p>White Male 3 -Target 1</p> <p>African Female 3 – Target 3</p> <p>Coloured Female 3 -Target 3</p> <p>White Female 2 -Target 1</p>	<p>Senior Management Levels 1-2):</p> <p>African Male 1 (up to 31 May 2017) - Target 1</p> <p>Coloured Male 2 Target 1</p> <p>White Male 1 – target 0</p> <p>African Female 1 – Target 1</p> <p>Coloured Female 1 – Target 1</p> <p>White Female 0 - Target 1</p> <p>Management (Level 3)</p> <p>African Male 0 -Target 3</p> <p>Coloured Male 1 -Target 3</p> <p>White Male 3 -Target 1</p> <p>African Female 3 – Target 3</p> <p>Coloured Female 3 -Target 3</p> <p>White Female 2 -Target 1</p>	<p>Not compliant with the Employment Equity Plan Targets.</p> <p>It must be noted that Employment Equity targets can only be achieved through the natural attrition principles where new appointments are made in positions and/or where new positions are created and approved for filling.</p>

### Human Resource Section Vacancy rate

Job Grade	Employees	Posts	Vacancies as % of total posts	Vacancies Full Time Equivalent
0-3	0	0	0%	0
4-6	0	0	0%	0
7-9	3	4	25%	139
10-12	4	5	20%	125
13-15	0	0	0%	0
16-18	0	1	100%	250
19-20	0	0	0%	0
<b>Total</b>	<b>7</b>	<b>10</b>	<b>30%</b>	<b>514</b>

## Chapter 3

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### **COMMENT ON THE PERFORMANCE OF HUMAN RESOURCE SERVICES OVERALL:**

Given the fact that the Human Resource Section is understaffed when compared to the norms in the municipal environment and the fact that the current office space available to the HR Section cannot accommodate additional staff and the available office space is not conducive to a productive environment, the HR Section's overall performance was fairly satisfactory.

The fact that the Occupational Health and Safety section was not included as part of the HR function created many difficulties which is evident that the annual returns of earnings was not completed for a number of years. It must however be said that return of earnings were not submitted during periods in which the Occupational Health and Safety Section was part of the HR functionality. This created a number of challenges with injury on duty cases, with incidents being referred to HR to deal with.

The relocation and expansion of the HR Offices has become urgent to allow HR to function optimally.

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### 3.18 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES





# Chapter 3

## ICT GOVERNANCE

The Accounting Officer is ultimately responsible for the Information Technology Governance and Security functions. The responsibility for implementation and monitoring of technology governance and security related frameworks is delegated to the Information Communication Section within the Finance Department (FIN: ICT) which ensures adequate management and reviews of the ICT Governance Charter & ICT Strategic Plan.

### ICT Corporate Governance framework

The ICT governance framework and policies were developed in October 2016, and served at the following Committees:

Committee		Date
1	Audit Committee	23 May 2017
2	Finance Portfolio Committee	03 October 2017
3	Ordinary Council Meeting	27 October 2017

### Key IT Governance policies / documents:

- Corporate Governance of ICT Policy
- ICT Charter
- ICT Strategy
- ICT Risk Management Framework / ICT Risk Register
- ICT Policy Framework
- ICT Disaster Recovery Policy / Plan
- ICT Governance Implementation Roadmap

### The ICT Steering Committee

The ICT Steering Committee (ICTSC) is a mechanism that assists those responsible for IT, to ensure that ongoing IT operations and systems are aligned with the strategic plan and ultimately the IDP. In addition, IT related risks, projects, audit issues and required systems changes are managed. The (ICTSC) is chaired by the municipal manager and assisted by the IT Manager and directors of other departments. The ICTSC's main function is to propose and approve strategic initiatives that are envisaged to enhance and improve IT systems and facilitate the organisation to become more effective.

### IT Related Projects

The mSCOA project was a major shift in financial reporting and the ICT Department played a magnificent role with the upgrading of the Server Infrastructure to ensure that the organisation is ready to transact on the new financial platform as prescribed by national treasury.

# Chapter 3

## COMPONENT J: ORGANISATIONAL PERFORMANCE SCORECARD

This component includes: Annual Performance Scorecard Report for the current year.

### INSTITUTIONAL SDBIP IMPLEMENTATION SCORECARD: 2016/17

KEY PERFORMANCE AREA		FINANCIAL VIABILITY AND MANAGEMENT				
DEVELOPMENT PRIORITY		FINANCIAL VIABILITY AND MANAGEMENT COMPLIANT TO RECOGNISED PRACTICES				
STRATEGY		IMPLEMENT MANAGEMENT AND CONTROLS ON FINANCES AND FINANCIAL SYSTEM SO AS TO ENSURE FINANCIAL MANAGEMENT PRACTICES ARE COMPLIANT WITH RECOGNISED ACCOUNTING PRACTICES AND INNOVATIVE TOWARDS INSTITUTIONAL TRANSFORMATION AND DIVERSITY IN SERVICE DELIVERY				
IDP Ref.	ANNUAL TARGETS	Key Performance Indicator	Achievement for the year	Corrective Action/ Comment	Prior year performance	Responsible Directorate
F.1	94% of revenue collected against revenue raised	% of revenue collected against revenue raised	Average revenue collection rate as at 30 June 2017 was 95.81%	Target achieved	97.60% revenue collection on average	Finance
F.2	55 Days or less for the collection of debt	Number of days for the collection of debt	The average days for the collection of debt as at 30 June 2017 was 22 days.	Target achieved	24 days on average for the collection of debt	Finance
F.3	90% of creditors paid within 30 days from date of invoice	% of creditors paid within 30 days from date of invoice	As at 30 June 2017 92.43% of creditors were paid within 44 days with between 76% and 85% of creditors paid within 30 days	Target Achieved	92.43 of creditors paid within 30 days	Finance
F.4	Less than 40% of total operational expenditure attributable to personnel costs	% of total operational expenditure, attributable to personnel costs	As at 30 June 2017 personnel costs represented 34.2% of the total actual operational expenditure	The actual percentage is subject to adjustment with finalization of	44% of total operational expenditure was personnel costs	Administration, Monitoring and Evaluation

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KEY PERFORMANCE AREA		FINANCIAL VIABILITY AND MANAGEMENT			
				the Annual Financial Statements Target Achieved	
F.5	95% capital budget expenditure	% capital budget expenditure	As at 30 June 2017 capital expenditure against capital budget provided for in the adjustments budget represented 63.84%	The development and implementation of Departmental SDBIP and monitoring shall improve capital expenditure	As at 30 June 2016 capital expenditure against budget was 86.84%
F.6	External interest not exceeding 5% of operating expenditure	% external interest against operating expenditure	External interest paid compared to total operating expenditure as at 30 June 2017 was 0.70%	Target achieved	External interest compared to total operating budget amounted to 1.04%
F.7	6% of total operating budget allocated to repairs and maintenance	% of total operating budget allocated to repairs and maintenance	5.24% of the budget was allocated to repairs and maintenance compared to total operating adjustments	Increased allocations for repairs and maintenance must be considered with the compilation of the budget	5.45% of the adjustments budget allocated to repairs and maintenance
					Finance
					Finance

# Chapter 3

KEY PERFORMANCE AREA		FINANCIAL VIABILITY AND MANAGEMENT				
F.8	Current assets to exceed current liabilities by 100%	% by which Current assets less inventory exceed liabilities	The ratio as at 30 June 2017 was 113%	Target Achieved	Current Ratio as at 30 June 2016 was 99%	Finance
F.10	100% of indigent register has access to free basic services	% of indigent register has access to free basic services	100% of residents registered on the Indigent Register had access to free basic services	Target achieved	100% of residents registered on the Indigent Register had access to free basic services	Finance
	90% of LED projects budget spent on led projects (Operational)	% of LED project, operational budget spent on led projects	90% of LED projects budget was spent on LED operational projects	Target Achieved	90% of LED projects budget was spent on LED operational projects	Local Economic Development
KEY PERFORMANCE AREA		LOCAL ECONOMIC DEVELOPMENT				
DEVELOPMENT PRIORITY		LOCAL ECONOMIC DEVELOPMENT				
STRATEGY		IMPLEMENT, CREATE AND MAINTAIN INTERVENTIONS AND MEASURES TO ENSURE THAT ECONOMIC OPPORTUNITIES ARE CREATED AND AVAILABLE TO RESIDENTS				
IDP Ref.	ANNUAL TARGETS	Key Performance Indicator	Achievement for the year	Corrective Action	Prior year performance	Responsible Directorate
L.1	500 Temporary Jobs created through private public partnerships	Number of Jobs created through private public partnerships	500 Temporary Jobs created through private public partnerships	Target Achieved	500 Temporary jobs created	Local Economic Development

# Chapter 3

KEY PERFORMANCE AREA		FINANCIAL VIABILITY AND MANAGEMENT				
L.5	300 Farmers/rural residents and SMME's exposed to development programmes	Number of Farmers/rural residents and SMME's exposed to development programmes	475 Farmers/rural residents exposed to SMME development programmes.	Staff shortages resulted in an inability to provide development programmes for farmers and rural residents	50 Farmers/rural residents exposed to SMME develop programmes	Local Economic Development
L.6	500 Community members participated in Arts/Sports/ Heritage programs	Number of Community members participated in Arts/Sports/Heritage programs	500 Community members participated in Sports/Arts/and Heritage training programs	Target Achieved	200 Community members participated in Sports/Arts/and Heritage training programs	Local Economic Development
KEY PERFORMANCE AREA		INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION				
DEVELOPMENT PRIORITY		INSTITUTIONAL DEVELOPMENT				
STRATEGY		IMPLEMENT, CREATE AND MAINTAIN INTERVENTIONS SO AS TO ENSURE THAT THE CAPACITY OF STAFF IS DEVELOPED AND IMPROVED AND THAT THE INSTITUTION REFLECTS THE DEMOGRAPHICS OF THE KOUGA AREA				
IDP Ref.	ANNUAL TARGETS	Key Performance Indicator	Achievement for the year	Corrective Action		Responsible Directorate
I.1	100% Compliance with the implementation of the employment equity plan in respect of the 3 highest levels of employment	% Compliance with the implementation of the employment equity plan in respect of the 3 highest levels of employment	<u>Senior Management (Levels 1-2)</u> African Male 0- Target 1 Coloured Male 2 Target 1 White Male 2 (1 White male appointed 6 June 2017) – target 0	Target achieved	3 Highest levels of employment fully compliant with Equity Plan	Administration, Monitoring and Evaluation

# Chapter 3

KEY PERFORMANCE AREA		FINANCIAL VIABILITY AND MANAGEMENT				
			African Female 1 – Target 1 Coloured Female 1 – Target 1 White Female 0 - Target 1 <b><u>Management (Level 3)</u></b> African Male 0 -Target 3 Coloured Male 1 -Target 3 White Male 3 -Target 1 African Female 3 – Target 3 Coloured Female 3 -Target 3 White Female 2 -Target 1			
I.2	100% Expenditure of SETA funding received for staff development	% Expenditure of seta funding received for staff development	No LGSETA Mandatory grant funding was paid over to Kouga Municipality and as such could the target not be implemented or achieved	Target not achieved The payment of mandatory grants by LGSETA must be investigated	85% SETA funding spent on staff development	Administration, Monitoring and Evaluation
I.3	100% Compliance with the work place skills plan	% Compliance with the work place skills plan against planned training interventions	For reason that no mandatory grant funding was paid over to Kouga for the implementation of the Work Place Skills Plan could the target not be achieved.	Target not achieved The payment of mandatory grants by	80% Compliance with Work Place Skills Plan	Administration, Monitoring and Evaluation

# Chapter 3

KEY PERFORMANCE AREA		FINANCIAL VIABILITY AND MANAGEMENT			
			LGSETA must be investigated		
I.4	1% of total staff salary budget spent on skills development initiatives through SETA contributions	% of total staff salary budget spent on skills development initiatives through SETA contributions	Provision was made on the budget for contributions of 1% of the salary budget towards SETA	Consideration should be given for budgetary provisions to supplement the LGSETA funding	Provision was made on the budget for contributions of 1% of the salary budget towards SETA
					Administration, Monitoring and Evaluation
KEY PERFORMANCE AREA		GOOD GOVERNANCE AND PUBLIC PARTICIPATION			
DEVELOPMENT PRIORITY		PROVISION OF GOOD GOVERNANCE TO RESIDENTS			
STRATEGY		DEVELOP, IMPLEMENT AND MAINTAIN ADMINISTRATIVE PRACTICES COMPLIANT WITH LEGISLATIVE REQUIREMENTS WHILE AT THE SAME TIME PROVIDING OPPORTUNITIES FOR RESIDENTS TO PARTICIPATE IN THE DECISION-MAKING PROCESSES OF KOUGA MUNICIPALITY			
IDP Ref.	ANNUAL TARGETS	Key Performance Indicator	Achievement for the year	Comment/Corrective Action	Responsible Directorate
G.1	90% compliance with the Audit Corrective Action Plan towards a Clean Audit	Percentage compliance with the targets as per the Implementation report on the Audit Corrective Action Plan	100% compliance with the Audit Corrective Action Plan as at 30 June 2017.	Target Achieved	All Directorates
G2	100% of staff between the TASK Grade levels of 17 to 11 held accountable for performance	% of staff between the TASK Grade levels of 17 to 11 held accountable for performance	Target not achieved	Departmental SDBIP's must be developed by Directorates to set higher level accountabilities	All Directorates

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KEY PERFORMANCE AREA		FINANCIAL VIABILITY AND MANAGEMENT			
				for Line Managers.	
G3	4 Public participation programmes held during the course of the year.	Number of public participation programmes conducted	5 Public participation programs were held during the year	Target achieved	3 Public Participation programmes held during the year  Administration, Monitoring and Evaluation
G4	15 Ward Committees functional with at least one meeting per quarter per Ward and 4 meetings per Ward Committee per year	Number of Ward Committees with 4 meetings per year	All 15 Wards had more than 4 meetings for the 2016/17 year	Target achieved	No target set  Administration, Monitoring and Evaluation
KEY PERFORMANCE AREA		INFRASTRUCTURE AND BASIC SERVICE DELIVERY			
DEVELOPMENT PRIORITY		PROVISION OF INFRASTRUCTURE AND BASIC SERVICES			
STRATEGY		PROVIDE AND MAINTAIN BASIC SERVICE TO COMMUNITIES			
IDP Ref.	ANNUAL TARGETS	Key Performance Indicators	Achievement for the year	Corrective Action	Prior year performance  Responsible Directorate
S.1	90% of properties in formal residential areas provided with access to potable water	% of properties in formal residential areas provided with access to potable water	100% of properties in formal residential areas are provided with potable water	Target achieved	100% of properties in formal residential areas are provided with potable water  Infrastructure Planning and Development
S.2	Water losses not exceeding 9% between water purchased/	% Water Losses between water purchased/produced and water sold	Water losses are estimated at approximately 35% between water purchased/produced and water sold	Installation of bulk water meters and	Water losses for the year estimated at 45% between  Infrastructure Planning and Development



# Chapter 3

KEY PERFORMANCE AREA		FINANCIAL VIABILITY AND MANAGEMENT			
	produced and water sold			zone water meters	water purchased and water sold
S.3	90% of properties in formal residential areas provided with sanitation services	% of properties in formal residential areas provided with sanitation services	100% of properties in formal residential areas are serviced with sanitation services	Target met but waterborne reticulation and bucket eradication needs to be implemented	100% of properties in formal residential areas are serviced with sanitation services
S.4	90% of properties in formal residential areas provided with electricity	% of properties in formal residential areas provided with electricity	100% of properties in formal residential areas are serviced with electricity	Target achieved	100% of properties in formal residential areas are serviced with electricity connections
S.5	Electricity losses not exceeding 5% between electricity purchased and electricity sold	% Electricity Losses between electricity purchased and electricity sold	As at 30 June 2017 electricity losses between electricity purchased and electricity sold is estimated at 20%	An electricity loss reduction plan needs to be developed and implemented	Electricity losses for the year estimated at 18% between electricity purchased and electricity sold
					Infrastructure Planning and Development
					Infrastructure Planning and Development
					Infrastructure Planning and Development

# Chapter 3

KEY PERFORMANCE AREA		FINANCIAL VIABILITY AND MANAGEMENT				
S.6	90% of properties in formal residential areas with access refuse removal services	% of properties in formal residential areas serviced with refuse removal services	100% of properties in formal residential areas is being serviced with refuse removal services	Target achieved	100% of formal residential areas is being serviced with refuse removal services	Social Services
S.7	100% of MIG grants spent against MIG grants received	% of MIG grants spent against MIG grants received	As at 30 June 201 the MIG allocation was fully spent. Achievement 100%. A further MIG grant received of R7 million was further fully committed as at 30 June 2017	Target achieved	100% of MIG Budget spent as at 30 June 2016	Infrastructure Planning and Development
S.8	100% of DME grants spent	% of DME grants spent against MIG grants received	As at 30 June 2017 the DME grant allocation was fully spent. Achievement 99.5%	Target achieved	100% of DME budget spent as at 30 June 2016	Infrastructure Planning and Development
S.9	100% Compliance with the water sampling program	% compliance with the water sampling program in respect of actual water samples taken	As at 30 June 2017 compliance with the water sampling program was 100%	Target achieved	No target set	Social Services
S.10	200 Residents participated in HIV/AIDS programs	Number of residents participated in the HIV/AIDS programs presented by Kouga	As at 30 June 2017 the target of 200 participants was achieved	Target achieved	No target set	Social Services

# Chapter 4

## CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

### INTRODUCTION

The Performance Management Section currently administers Institutional Performance and Individual Performance to the level of the Municipal Manager and Directors reporting directly to the Municipal Manager.

The purpose of the performance management section is to allow Councilors and Top Management the opportunity of oversight and timeous corrective action where it is evident that set institutional targets shall not be achieved.

Performance Management is regulated through the provisions of the Local Government Municipal Systems Act, as amended and Regulations promulgated in terms of the Act.

In compliance with the legislative provisions does the Integrated Development Plan for the year under review form the basis of the Institutional Service Delivery and Budget Implementation Plan.

The Institutional Service Delivery and Budget Implementation plan forms the basis for the individual performance agreements of the Municipal Manager and Directors.

Performance agreements are concluded annually before 31 July with the Municipal Manager and Directors.

Performance reviews must be conducted on a quarterly basis with the annual performance review conducted by an Evaluation Panel appointed in terms of the Performance Management Regulations.

Performance reporting for the 2016/17 year was problematic in that not all participants complied with the agreed reporting dates and as such the reviews and evaluation of performance was also delayed.

Performance bonuses are only paid after evaluation and only on approval of the evaluation results by Council and the adoption of the annual report for the period under review.

## Chapter 4

For the year under review performance bonuses were paid the Section 56/57 employees in respect of the 2013/14 and 2014/15 years as approved by Council.

The roll out of performance plans to employees below the level of Top Management remains slow and is dependent on the development of Departmental Service Delivery and Budget Implementation Plans which was not attended to in time to ensure the effective roll out of the performance management system to lower level employees.

### COMPONENT A: INTRODUCTION TO MUNICIPAL PERSONNEL

#### 4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

VACANCY RATE			
DESIGNATIONS	TOTAL APPROVED POSTS	VACANCIES (Total time that vacancies exist using fulltime equivalents) No.	VACANCIES (As a proportion of total posts in each category) %.
Municipal Manager	1	0	0%
CFO	1	0	0%
Other Section 57 Managers (excluding finance posts)	4	0	0%
Other Section 57 Managers (Finance posts)	0	0	0%
Police Officers	0	0	0%
Fire Fighters	44	131	11.5%
Senior Management Levels 13-15 (excluding finance posts)	23	250	4.4%
Senior Management Levels 13-15 (Finance posts)	7	250	14%
Highly skilled supervision: levels 9-12 (excluding finance posts)	143	455	5%
Highly skilled supervision: Levels 9-12 (Finance posts)	35	250	3%

## Chapter 4

TURNOVER RATE		
Total Appointments as at 1 July 2016	Total Terminations for the year ending 30 June 2017	Turnover Rate %
860	65	7.94%

	Approved positions	Number of approved posts per position	Filled posts	Vacant posts	Vacancy Rate
SKILLS DEVELOPMENT AND EMPLOYMENT EQUITY					33%
1.	Equity and Skills Development Officer	1	1	0	
2.	Skills Development Facilitator	1	0	1	
3.	Training Officer	1	1	0	
	<b>Total</b>	<b>3</b>	<b>2</b>	<b>1</b>	

### COMMENT ON VACANCIES AND TURNOVER:

Positions of Municipal Manager and Directors reporting directly to the Municipal Manager were occupied for the full year.

Top Management and the Political Leadership held the view that the salary budget expressed as a percentage of the operating budget was excessive and a decision was taken not to simply fill vacancies that may occur as a result of staff terminations. The requirement was set that where a vacancy occurs, the Leading Department must submit a written motivation for the filling of the vacancy for consideration by Top Management.

This has had the result that a substantial number of positions that became vacant were considered as being unfunded and thus not considered for filling. There has been a downward trend in staff levels over the past 8 years as is evident from the below, however an increase in the wage bill linked to inflation:

Year	Staff numbers	Payroll
2009/2010	1 181	R158 678 047
2010/11	1 089	R182 860 683
2011/12	960	R182 822 233
2012/13	922	R193 299 330
2013/14	878	R209 085 170
2014/15	822	R212 826 380
2015/16	860	R228 746 553
2016/17	818	R228 043 152

# Chapter 4

## COMPONENT B: CAPACITATING THE MUNICIPAL WORKFORCE

### INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

*The MSA 2000 S68 (1) requires municipalities to develop their human resource capacity to a level that enables them to perform their functions and exercise their powers in an economical, effective, efficient and accountable way.*

Kouga Municipality has an established Employment Equity and Skills Development Section that amongst others addresses the skills development needs of the Institution.

Skills Development needs are assessed annually and must be based on the results of an Employee skills audit, and training needs per position/incumbent as assessed by the various Directorates. The information must be compiled in the form of an annual Work Place Skills Plan which guides and directs the implementation of skills development initiatives.

For the year under review no internal skills audit was conducted. The Work Place Skills Plan was thus incorrectly based on prior year information.

No LGSETA mandatory grant funding was paid over to Kouga Municipality with the result that internal funding had to be used for training initiatives. This severely impacted on the ability to implement the Work Place Skills Plan.

# Chapter 4

## 4.2 SKILLS DEVELOPMENT AND TRAINING



The following schedule reflects the skills development programs for the 2016/17 year:

Name of Learning Intervention	Employment Section	Employed / Unemployed	Training Dates	Service Provider	NQF	Number of Employees Trained	Actual Costs
Fire Fighter 1 & Hazmat Operations	Fire Fighters	Employed	22 July 2016	Rural Metro Services	4	4	R0.00 (Sarah Baartman District Funds)
SHE Representatives	General Workers, Officers, Clerk and Supervisors	Employed	12 <sup>th</sup> & 13 <sup>th</sup> October 2016	NOSA	3	40	R27,174.19 (Own Funds)
AET Facilitators Training and Assessment Test	Unemployed Youth	Unemployed	27 <sup>th</sup> June – 08 <sup>th</sup> July 2016	Media Works	4	2	R0.00 (LGSETA Discretionary Grants)
AET Training	General Workers	Employed	01 <sup>st</sup> November 2016	Media Works	AET Level 1-4	110	R397,004.78: (LGSETA Discretionary Grants)

## Chapter 4

Name of Learning Intervention	Employment Section	Employed / Unemployed	Training Dates	Service Provider	NQF	Number of Employees Trained	Actual Costs
Preliminary Incident Investigation	Occupational Health and Safety Officers & Manager	Employed	10 <sup>th</sup> Nov – 11 <sup>th</sup> Nov 2016	NOSA	4	4	R2,934.00 (Own Funds)
<b>160</b>							<b>R427,112.97</b>
Occupational Health and Safety Officers & Manager	Occupational Health and Safety Officers & Manager	Employed	11 <sup>th</sup> & 12 <sup>th</sup> January 2017	Riverport Training Academy	4	4	R4,890.00 (Own Funds)
Youth	Unemployed	Unemployed	09 <sup>TH</sup> -13 <sup>TH</sup> Jan 2017	NYDA	5	20	R0.00 (NYDA)
Occupational Health and Safety Officers & Manager	Occupational Health and Safety Officers & Manager	Employed	16 <sup>th</sup> – 27 <sup>th</sup> Jan 2017	Riverport Training Academy	4	5	R41,040.00 (Own Funds)
Ward Committee Members	Unemployed	Unemployed	24 June 2017	Gomomo Training and Consulting	N/A	150	R30,000.00 (Own Funds)
Driver's License	General Worker (Cleaner)	Employed	21 June 2017	Lulama Ngalo Driving School	N/A	1	R1,992.00 (Own Funds)
<b>180</b>							<b>R77,922.00</b>
<b>Total number of staff trained for the 2016/17 year:</b>				<b>168</b>			



## Chapter 4

Name of Learning Intervention	Employment Section	Employed / Unemployed	Training Dates	Service Provider	NQF	Number of Employees Trained	Actual Costs
Total number unemployed trained for the 2016/17 year:				172			
Percentage of staff trained:				15.96%			
Total percentage Section 56/57 trained:				0%			
<p>The unavailability of LGSETA funding and the fact that the employment contracts of these employees were due to terminate lead to a situation where no Section 56/57 employees were considered for training. It must however be noted that all the Section 56/57 employees were subjected to CPMD training during their course of employment with Kouga Municipality.</p>							
<p><b>Total training expenditure amounted to R505 034.97 of which R108 100.19 was funded internally.</b>Following the Local Government Elections in August 2016, Councilors were subjected to an induction program presented by SALGA at no cost to Council. No further specific leadership programs were conducted for Councilors for the year under review.</p>							
<b>Technical Managers with a professional qualification</b>							
<p>Only the Director Infrastructure, Planning and Development is registered as a Professional Engineer with the Engineering Council of South Africa.</p>							
<p>2 Area Engineers have obtained National Diplomas in Civil Engineering and is eligible for registration with the Engineering Council of South Africa.</p>							

The following schedule reflects work based learning programs for the 2016/17 reporting year:

Name of Learning Intervention	Employment Section	Training Dates	Number of Employees Trained	Actual Costs
Internship Programme	Unemployed Graduates with Finance Qualifications	May 2016	4	R0,00 <b>National Treasury Grants</b>
Experiential Learning	Human Resources	July 2015 – June 2016	8	R0.00

## Chapter 5

Name of Learning Intervention	Employment Section	Training Dates	Number of Employees Trained	Actual Costs
	Electrical Distribution Planning & Development			
Artisan Programme 1.MISA 2.ESKOM	Unemployed Artisans	July 2015 – June 2016	3 2	R0.00
			<b>17</b>	<b>0</b>

ANNUAL TARGETS	ACHIEVEMENT	PREVIOUS YEAR ACHIEVEMENT
100% Compliance with the implementation of the employment equity plan in respect of the 3 highest levels of employment	0%	80%
100% Expenditure of SETA funding received for staff development	0%	0%
100% Compliance with the work place skills plan	5% (Estimated)	45.6%
1% of total staff salary budget contributed to SETA for skills development initiatives	R512, 044.00	R466, 403.00

# Chapter 5

## COMPONENT C: MANAGING THE MUNICIPAL WORKFORCE

### 4.3 POLICIES

The following schedule reflects the Human Resources related policies that were in effect during the 2016/17 financial year:

- Subsistence and Travelling Policy
- Human Resource Standard Operational Procedures Manual: 2015 – 2017
- Retrenchment Policy
- Demotion, Promotion and Transfer Policy
- Grievance Policy
- Essential User Car Scheme Policy
- Policy on the Forfeiture of Payments, Salary and Benefits
- Performance Management Policy for Section 56 & Section 57 Employees
- Policy for the participation of non-section 56/57 Employees in the PMS
- Policy on the Imposition of Sanctions at Disciplinary Hearings
- Policy on Procedures to be followed in instances where Employees are unable to attend work as a result of imprisonment
- Policy on the maintenance of Certificates of Fitness and Competences and other related post requirements
- Policy on the acceptance and performance of private work
- Policy on the Annual Review and Amendment to the Fixed and Temporary Staff Establishment
- Sexual Harassment Policy
- Policy on the Payment of Acting Allowances
- Funeral & Memorial Services Policy

#### **COMMENT ON WORKFORCE POLICY DEVELOPMENT:**

No workforce related policy was subject to review during the 2016/17 year.

It is essential these policies be subject to review to take into account any possible amendment in labour legislation and changing internal requirements.

## Chapter 5

### 4.4 INJURIES & SICKNESS

#### COMMENT ON INJURY AND SICK LEAVE:

The Occupational Health and Safety Section did not resort under the Human Resources functionality for the year under review. This has exposed weaknesses in this arrangement and it is anticipated that with the 2017/18 review of the Organogram the Occupational Health and Safety functions shall revert to the Human Resources Section.

### 4.5 LABOUR RELATIONS

#### COMMENT ON LABOUR RELATIONS

The following schedule reflects labour related matters dealt with at the level of the South African Local Government Bargaining Council and the Commission for Conciliation Mediation and Arbitration:

##### SALGBC

No. of matters Referred to SALGBC	No. of matters resolved at Conciliation	No. of matters awarded in favour of the Municipality	No. of matters awarded against the Municipality	No. of Unfair Labour Practice matters	No. of unfair dismissal cases	No. of cases pending
32	7	4	7	7	19	10

##### CCMA

No. of matters Referred to CCMA	No. of matters resolved at Conciliation	No. of matters awarded in favour of the Municipality	No. of matters awarded against the Municipality	No. of cases pending
3	0	2	0	1

The following schedule reflects disciplinary hearing details inclusive of the suspension of employees:

No. of Disciplinary cases	No. of dismissals	No. of settlements	No. of not guilty findings	No. of Final written warnings	No. of resignations pending hearing	No. of cases pending
19	5	1	3	5	2	3

## Chapter 5

### Nature of Misconduct for which employees have been found guilty

Intimidation	Bringing employer name into disrepute	AWOL	Abscondment	Incapacity	Theft	Gross dishonesty	Damage to property	Gross insubordination
2	2	5	4	1	1	1	1	1

#### 4.6 PERFORMANCE REWARDS

No performance rewards were considered for non-section 56/57 employees.

##### COMMENT ON PERFORMANCE REWARDS:

Despite the adoption of Policy on the participation of non-section 56/57 employees in the performance management system and the provision for performance rewards for such employees, no performance rewards were considered for such employees for reason that participation in the performance management system were not cascaded down to lower level employees.

The cascading of the performance management system is dependent on the development of Departmental Service Delivery and Budget Implementation Plans which should ensure that the performance of lower levels contributes towards the achievement of institutional objectives and further limits the "silo" effect by aligning departmental activities towards a common goal.

# Chapter 5

## COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

### 4.7 EMPLOYEE EXPENDITURE

The following schedule reflects trends in workforce expenditure over the past 7 years:

#### SALARY EXPENDITURE

Years	Total number of staff	Actual Operational Expenditure	Personal expenditure (salary and salary related)	Percentage of expenditure
2010/2011	1089	R447,523,000	R182,860,683	41%
2011/ 2012	960	R553,676,22	R182,822,233	33.02%
2012/2013	922	R545,906,310	R193,299,330	35.41%
2013/2014	878	R589,244,141	R208,085,170	35.32%
2014/2015	822	R578,855,272	R212,826,380	36.77%
2015/2016	860	R619,357,681	R228,746,553	36,93%
2016/17	818	R672,685,052	R228,043,152	33.90%

#### Councillors

Designation	2013/14	2014/15	2015/16	2016/17
Executive Mayor	677,826.00	718,495.00	758,012.00	819 461
Speaker	542,261.00	574,795.00	606,410.00	662 047
Mayoral Committee (Total)	2 694 360	3,233,232.00	3,411,060.00	3,700, 176
Mayoral Committee (Individual)	449 060	538 872.00	568 510.00	616 696.00
MPAC Chairperson	-	-	-	343 032.00
Part-Time Councillors (Total)	4,351,641.00	4,526,508.00	4 798 101	5 151 225
Part-Time Councilors (Per Councilor)	189 201.00	196 804.00	208 613.00	223 966.00

## Chapter 5

### Senior Managers

Position/Benefit	2013/14	2014/15	2015/16	2016/17
<b>Municipal Manager</b>				
Annual Remuneration	1 005 022	1 073 263	1 148 392	1 217 295
Performance Bonus	0	75 128.41	0	(Not eligible, did not complete performance report)
<b>Chief Financial Officer</b>				
Annual Remuneration	891 957	476 260	641 667	1 100 000
Performance Bonus	60 563.88	0	33 366.68	To be considered
<b>Director Social Services</b>				
Annual Remuneration	891 957	952 521	1 019 198	1 080 349
Performance Bonus	0	0	0	(Not eligible, did not complete performance report)
<b>Director: LED, Tourism and Creative Industries</b>				
Annual Remuneration	891 957	952 521	1 019 198	1 080 349
Performance Bonus	60 563.88	0	69 305.46	(Not eligible, did not complete performance report)
<b>Director: Infrastructure, Planning and Development</b>				
Annual Remuneration	891 957	952 521	1 019 198	1 080 349
Performance Bonus	0	0	0	To be considered
<b>Director: Administration, Monitoring and Evaluation</b>				
Annual Remuneration	891 957	952 521	1 019 198	1 080 349
Performance Bonus	60 563.88	66 676.47	50 959.89	To be considered

## Chapter 5

It must be noted that the payment of performance bonuses can only be considered on approval of the Annual Report for the performance year under review and only after Council approval for the payment of the performance bonuses. Performance bonuses is paid in the ensuing year but reflected in respect of the year the performance bonus was earned.

### **COMMENT ON WORKFORCE EXPENDITURE:**

As per the directives of the Political Leadership, Administration made substantial attempts to reduce to workforce expenditure which is evident from the current staff salary percentage as compared to the total operating expenditure.

The implementation of the TASK Graded Salary structure as from 1 November 2016 however had a negative impact on the overall staff remuneration. The implementation of the TASK Graded salary system was however a necessity so as to comply with the national norms in this regard which amongst others ensures that application of the equal pay for with the principles of the equal pay for work of equal value principles.

### **COMMENT ON UPGRADED POSTS AND THOSE THAT ARE AT VARIANCE WITH NORMAL PRACTICE:**

The implementation of the TASK Graded Salary structure has had as a result that the incumbents of positions graded at lower levels than the salary levels prior to implementation of TASK shall retain their salary levels on a personal to holder basis. This does not have the effect that these employees are paid outside the approved salary ranges for reason of the provisions of the Collective Agreement on the implementation of the TASK Salary Grades

### **DISCLOSURES OF FINANCIAL INTERESTS**

No financial interest declarations were filed by senior management with the Human Resources Section



# Chapter 5

## CHAPTER 5 – FINANCIAL PERFORMANCE

### COMPONENT A: MUNICIPAL FINANCIAL VIABILITY & MANAGEMENT

#### 5.1. FINANCIAL HEALTH OVERVIEW

To provide a financial overview of the significant outcomes for the 2016/17 financial year, it is necessary to compare the 2016/17 Adjustments Budget, the actual financial results, the actual cash inflows and outflows, and the actual expenditure and revenue trends for the period, 1 July 2016 to 30 June 2017.

The financial performance highlights, based on the audited results, are as follows:

##### 5.1.1. Financial Performance

Actual operating revenue (excluding capital grants) amounted to R 639,809 million, whilst actual operating expenditure amounted to R 672,685 million, resulting in an operating deficit of R 32,876 million. The 2016/17 Adjustments Budget for operating revenue (excluding capital grants) amounted to R 639,396 million, whilst operating expenditure amounted to R 695,539 million, resulting in a budgeted deficit of R 56,143 million.

It should be noted that the 2016/17 actual operating revenue of R 677,188 million, includes an amount of R 37,379 million, which relates to capital grants recognised.

The following, however, needs to be noted:

The operating revenue for Property Rates and Service Charges was in line with the anticipated revenue in the 2016/17 Adjustments Budget, except for the water revenue.

##### **Property Rates**

Property rates revenue raised amounted to R 148,075 million (99.60%), compared to the Adjustments budgeted amount of R 148,671 million.

##### **Service charges – Electricity Revenue**

Electricity revenue raised, amount to R 237,126 million (105.98%), compared to the Adjustments budgeted amount of R 223,745 million.

# Chapter 5

## Service charges – Water Revenue

Water revenue raised, amounted to R 25,497 (47.85%) million, compared to the Adjustments budgeted amount of R 53,284 million.

The Water Revenue raised was approximately R 27,787 million less than budgeted. This is attributable to actual water consumption patterns being lower than anticipated.

## Service charges – Sanitation Revenue

Sanitation revenue raised, amounted to R 34,366 (92.33%) million, compared to the Adjustments budgeted amount of R 37,217 million.

## Service charges – Refuse Revenue

Refuse revenue raised, amounted to R 37,079 (99.65%) million, compared to the Adjustments budgeted amount of R 37,208 million.

## **Property Rates and Services Revenue:**

Property Rates and Services	2016/17 Adjustments Budget (including indigent subsidies)	Actuals 2016/17 (including indigent subsidies)	Variance	Indigent Subsidies
	R'000	R'000	R'000	R'000
Property Rates	148,671	148,075	596	14,842
Electricity	223,745	237,126	- 13,381	4,107
Water	53,284	25,497	27,787	14,111
Sanitation	37,217	34,366	2,851	7,462
Refuse	37,208	37,079	129	15,957
<b>Total</b>	<b>500,125</b>	<b>482,143</b>	<b>17,982</b>	<b>56,479</b>

## **Fines:**

The revenue amounted to R 10,552 million, compared to the adjustments budgeted amount of R 3,459 million. The previous year's actual amounted to R 9,798 million.

The Fines Revenue raised was approximately R 7,093 million more than budgeted. This is attributed to camera fines being higher than anticipated.

# Chapter 5

## **Rental of facilities and equipment:**

The revenue amounted to R 1,506 million, compared to the adjustments budgeted amount of R 1,200 million. The previous year's actual amounted to R0,744 million.

The income derived from this revenue source, should be further enhanced by charging market related rentals relating to all Council's properties. An investigation should be undertaken to ascertain the revenue potential of this source, including the factors that are impeding this revenue source from achieving its full potential.

## **Transfers recognised – Operational:**

The revenue amounted to R 97,550 million (96.58%), compared to the Adjustments budget amount of R 101,004 million.

*The following accounts for the performance of grants and explains the variance:*

### **DORA Operating Grants:**

#### **1. Expanded Public Works Programme (EPWP)**

This grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods.

DORA Allocation:	R 1,057,000
Amount of Grant Received:	R 1,057,000
Actual Expenditure:	R 1,057,000
<b>Unspent as at 30 June 2017</b>	<b>R 0</b>

As at 30 June 2017, the DORA allocation was fully spent.

#### **2. Finance Management Grant**

This grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

DORA Allocation:	R 1 625 000
Approved rollover:	R 800 000
Amount of Grant Received:	R 2 425 000
Actual Expenditure:	R 2 425 000
<b>Unspent as at 30 June 2017:</b>	<b>R 0</b>

As at 30 June 2017, the DORA allocation was not fully spent.

# Chapter 5

## **Licences and Permits:**

Licences and permits revenue amounted to R 6,877 million, compared to the adjustments budgeted amount of R 8,050 million. This main reason for the variation is an under collection of vehicle licences and registrations.

## **Interest Earned – External Investments:**

Interest earned – External investments amounted to R 7,776 million, compared to the adjustments budgeted amount of R 6,788 million. This was mainly due to additional investments being made during the 2016/17 financial year, including slightly higher interest rates being available for investment purposes.

## **Interest Earned – Outstanding Debtors:**

Interest earned – Outstanding debtors amounted to R 8,144 million, compared to the adjustments budgeted amount of R 7,536 million. This revenue source has increased from R 4,500 million in the 2016/17 Original Budget to R 7,536 million in the 2016/17 Adjustments Budget.

Interest is also influenced by the extent of outstanding debtors. The interest raised on outstanding debtors may not necessarily result in a cash inflow for the Municipality.

## **Other revenue:**

Other revenue amounted to R 12,566 million, compared to the Adjustments budgeted amount of R 11,233 million. Other revenue includes the augmentation fees, building plan fees, caravan park fees and other sundry income.

**The Operating Expenditure was slightly lower than anticipated in the 2016/17 Adjustments Budget.**

## **Employee Related Costs:**

Employee related costs amounted to R 228,043 million, compared to the adjustments budgeted amount of R 229,366 million.

Employee related costs were approximately R 1,323 million less than the adjustments budgeted amount.

## **Remuneration of Councillors:**

The remuneration of councilors amounted to R 11,101 million, compared to the adjustments budgeted amount of R 10,917 million.

Remuneration of councilors were approximately R 0,184 million more than the adjustments budgeted amount.

# Chapter 5

## **Depreciation and Amortisation:**

The Depreciation and Amortisation amounted to R 71,047 million, compared to the adjustments budgeted amount of R 83,123 million.

Depreciation and Amortisation expenditure was approximately R 12,076 million less than the adjustments budgeted amount. This is attributable to the reclassification of Property, Plant and Equipment and Investment Property between owner occupied and leased properties. Furthermore, the depreciation for Infrastructure Assets and WIP was revised to reflect the carrying values as per Asset Register.

## **Debt impairment:**

Bad debts are written off upon Council's approval. Debt impairment amounted to R 24,779 million, compared to the adjustments budgeted amount of R 30,008 million. Debt impairment was consequently R 5,229 million less than anticipated in the 2016/17 Adjustments Budget.

## **Bulk Purchases:**

The Bulk purchases amounted to R 220,618 million, compared to the Adjustments budgeted amount of R 221,875 million.

The Bulk purchases expenditure was approximately R 1,257 million less than budgeted.

## **Repairs and Maintenance:**

Below is an analysis of actual repairs and maintenance expenditure by Directorate, compared to the 2016/17 Adjustments Budget.

Directorate	Approved Adjustments Budget R	Actual as at 30 June 2017 R	% of Adjustments Budget
Administration, Monitoring & Evaluation	414,680	2,343,506	565.14%
Financial Services	370,136	1,147,897	310.13%
Social Services	9,736,693	8,736,131	89.72%
Infrastructure, Planning & Development	22,551,693	21,698,869	96.22%
LED, Tourism & Industries	120,000	161,074	134.23%
<b>Total</b>	<b>33,193,202</b>	<b>34,087,476</b>	<b>102.69%</b>

Repairs and maintenance was therefore overspent by an amount of R 894,274, compared to the 2016/17 Adjustments Budget.

## **Finance Costs:**

The finance costs amounted to R 15,491 million, compared to the Adjustments budgeted amount of R 4,463 million.

## Chapter 5

The finance costs expenditure was approximately R 11,028 million more than budgeted.

### **Contracted Services:**

The contracted services amounted to R 13,293 million, compared to the Adjustments budgeted amount of R 14,531 million.

The contracted services expenditure was approximately R 1,238 million less than budgeted.

### **Grants and Subsidies Paid:**

The grants and subsidies paid amounted to R 1,080 million, compared to the Adjustments budgeted amount of R 1,080 million.

The grants and subsidies paid expenditure was in line with the projected spending budgeted.

### **General expenses:**

The under spending on General Expenditure, in the amount of R 15,897million, is attributable to the lower than anticipated spending on various expenditure items. The following table reflects the items in question:

Item Description	Approved Adjustments Budget 2016/17	Actuals as at 30 June 2017	Under/(Over) Spending
Advertising	580 000	747 843	-167 843
Agriculture Production	100 000	-	100 000
Animal Control	20 000	17 016	2 984
Audit Fees	5 000 000	4 240 533	759 467
Bank Charges	639 568	826 265	-186 697
Beach Stalls	40 000	16 000	24 000
Blue Drop	100 000	92 480	7 520
Books and Publications	20 000	-	20 000
Bush Clearing	100 000	50 350	49 650
Business Seminar and Networking Sessions	50 000	28 500	21 500
Camera Fines Commission	1 023 705	1 062 420	-38 715
Capacitation of SMME's and Cooperatives	150 000	126 228	23 772

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Item Description	Approved Adjustments Budget 2016/17	Actuals as at 30 June 2017	Under/(Over) Spending
Cemetery Development	250 000	6 200	243 800
Chemicals	2 528 000	2 596 336	-68 336
Clean Up Operation	-	-287 154	287 154
Collection Charges	500 000	-	500 000
Collection Charges(Third Party Payments)	650 000	650 336	-336
Committees : Wards	1 184 500	312 589	871 911
Commonage Management	25 000	22 770	2 230
Computer Services	180 000	86 206	93 795
Congress & Delegates Expenses	1 099 740	660 360	439 380
Connection Expenses	863 390	359 560	503 830
Consultant/Professional Fees	3 873 276	2 394 205	1 479 071
Consumables	698 668	501 167	197 502
Cooperatives Support	80 000	64 478	15 522
Disaster Donations	-	-600	600
Disaster Management	250 000	37 794	212 206
E.I.A. Study	1 720 000	261 517	1 458 483
Educ. & Awareness W/Shops Beautification	20 000	-	20 000
Educational & Promotional Material	50 000	-	50 000
Educational Awareness Programme	50 000	-	50 000
Educational Tour - Expenditure	10 600	8 596	2 004
Emergency Relieve	258 000	162 484	95 516
Emerging Farmers Support	85 000	-	85 000
Employee Assistance Programme(Wellness)	100 000	23 513	76 487
Empowerment of Councillors	80 000	-	80 000
Events/Imbizos	80 000	-	80 000
Expanded Public Works Programme(Expense)	1 857 000	-	1 857 000
Festive Lights	20 370	14 150	6 220
Fisherman Stakeholders Forum	20 000	-	20 000
Fuel	7 306 181	5 369 148	1 937 033
Fuel (Small Plant)	483 338	565 232	-81 894
GENERAL EXPENSES - OTHER	29 688	21 367	8 321
Grant : MFMG (Expenditure)	1 625 000	1 456 132	168 868
Grants and Donations	100 000	-	100 000
Green Drop	50 000	-	50 000
Hand Tools	65 325	33 016	32 309
Health Days	50 000	28 700	21 300
Heritage Committee	-	20 000	-20 000
Heritage Plan	75 000	75 000	-
Hiring of Trucks and Machinery	1 710 000	3 079 339	-1 369 339
IDP Grant	60 000	714	59 286
Insurance Claims (Excess Paid)	200 000	395 965	-195 965
Internal Audit Agency	1 774 320	1 770 536	3 784
Interview Expenses	500 000	78 355	421 645
Inventory Items	406 651	146 731	259 920
Investors Imbizo	20 000	-	20 000
Job Evaluation Cost	340 000	-	340 000
Laboratorium Tests/Analysis	556 960	310 863	246 097
Launch : Local	30 000	8 550	21 450

# Chapter 5

Item Description	Approved Adjustments Budget 2016/17	Actuals as at 30 June 2017	Under/(Over) Spending
LED Strategy Review	300 000	-	300 000
Legal Expenses	1 920 000	3 286 918	-1 366 918
Licences	790 312	687 053	103 259
Life Saving Services	50 000	-	50 000
Local Aids Council	30 000	-	30 000
Lost Title Deeds	50 000	-	50 000
Medical and Safety Kits	65 440	16 238	49 203
Medical Vaccinations	350 000	338 285	11 715
Membership Fees	12 500	-	12 500
Municipal Planning Tribunal	500 000	9 676	490 324
Network Connection	101 445	26 908	74 537
Newspapers	28 170	1 601	26 569
Occupational health and safety	220 000	-	220 000
Oil	154 719	82 721	71 998
Opening of Council	180 000	135 905	44 095
Pauper Burials	36 252	-	36 252
Performance Evaluation Costs	30 000	-	30 000
Pest Control	30 000	6 940	23 060
Photocopier Charges	17 019	-	17 019
Planning Fees	201 000	146 434	54 566
Postage	1 426 000	1 109 802	316 198
Pound	20 000	-	20 000
Prepaid Finance Cost	2 602 861	3 603 436	-1 000 575
Printing and Stationery	1 087 666	664 458	423 208
Printing Newsletter	20 000	1 053	18 947
Projects	2 950	2 950	-
Public Catering Costs	200 000	195 784	4 216
Rebate : Developer Eden Glen	1 157 964	1 155 737	2 227
Rebate : Pensioners	167 063	122 667	44 395
Refuse Bins/Bags	826 427	723 084	103 343
Registration Fees	50 000	29 825	20 175
Re-location costs	50 000	-	50 000
Renewable Energy Programme Support	50 000	-	50 000
Repair and Rehab of Roads and Walkways	-	698 741	-698 741
SAMRO	25 000	-	25 000
Search Fees	84 800	72 795	12 005
Seasonal programme	698 088	481 741	216 347
Security	693 236	516 859	176 377
Sewer Masterplan	322 300	-	322 300
Shell Festival	460 000	409 574	50 426
Shortages	196	-22 042	22 238



# Chapter 5

Item Description	Approved Adjustments Budget 2016/17	Actuals as at 30 June 2017	Under/(Over) Spending
Sign Boards	44 900	5 611	39 289
Skills Development Grant	477 192	17 648	459 544
Software SLA's	2 073 325	-	2 073 325
Special Projects	375 000	384 437	-9 437
Statuary Obligations	2 247 250	2 238 873	8 377
Stock Shortages	16 399	32 255	-15 856
Strategic Planning	18 648	-	18 648
Street Lights (Eskom)	-	488 924	-488 924
Subscriptions	12 310	6 252	6 058
Subsistence & Travelling (Councillors)	94 303	-	94 303
Subsistence & Travelling (Officials)	718 345	-	718 345
Sundry Expenses	-	132 250	-132 250
Support for Rural Development Structure	100 000	44 469	55 531
Support to Humansdorp Museum	112 000	347 000	-235 000
System Training	10 000	-	10 000
Telephones	2 443 815	2 602 628	-158 813
Tourism Development	50 000	48 680	1 320
Tourism Signage	65 000	65 000	-
Trade and Investment Strategy	50 000	-	50 000
Trade Shows and Congresses	60 000	54 163	5 837
Training Programme : Arts & Crafts	100 000	100 000	-
Training Programme : Sports	100 000	99 984	16
Uniforms & Protective Material	1 745 598	1 069 741	675 857
Valuation Costs	1 000 000	120 479	879 521
Vector Control Equipment	10 000	-	10 000
Water Management Plan Implementation	150 000	131 386	18 614
Website	8 208	7 200	1 008
Woman in Business Forum	100 000	99 741	259
Wreaths	50 000	42 415	7 585
	<b>66 982 982</b>	<b>51 086 065</b>	<b>15 896 916</b>

## Conclusion:

The Municipality recorded an actual operating deficit of R 32,876 million, compared to the adjustments budgeted deficit of R 56,143 million.

## 5.1.2 Statement of Financial Position

### Net Assets:

Net Assets increased from R 2,098 billion (2015/16) to R 2,103 billion (2016/17) due to the following:

### Non-current Liabilities:

- Long-term liabilities decreased from R 37,504 million in 2015/16 to

# Chapter 5

- R 32,567 million in 2016/17, due to the redemption of loans. No loans were taken up during the 2016/17 financial year. Because of financial affordability considerations, no further loan funding is anticipated over the 2017/18 MTREF.
- The Employee Benefit Liabilities increased during the 2016/17 financial year, based on an actuarial valuation. The liabilities consequently increased from R 91,046 million in 2015/16 to R 92,444 million in 2016/17. The Employee Benefit Liabilities consist of Post-Retirement Health Care Benefits and Ex-Gratia Pensions.
- Non-current Provisions increased from R 58,881 million in 2015/16 to R 62,466 million in 2016/17, due to the increase in Long Service Awards and Rehabilitation of Landfill Sites provisions.

The net result is that the increase in non-current liabilities, accounted for a movement of R 0,46 million in the net assets of the municipality.

## **Current liabilities:**

### **Consumer Deposits**

Consumer deposits increased from R 9,590 million to R 10,273 million, mainly due to an increase in applications for new water and electricity connections.

### **Provisions**

The current provisions increased from R 22,109 million to R 22,644 million, mainly due to the leave provision being increased in the 2016/17 financial year.

### **Unspent conditional grants and receipts**

It is to be noted that unspent conditional grants decreased from R 7,842 million in the 2015/16 financial year to R 6,727 million in the 2016/17 financial year.

It must be noted that in relation to the Non-DORA Provincial Housing grant, an amount of R 6,086 million remained unspent as at 30 June 2017, which will be spent once the bulk infrastructure is upgraded.

## **Payables – Exchange Transactions**

Payables have decreased by R 15,295 million from R 130,622 million in 2015/16 to R 115,327 million in 2016/17. The payables from exchange transactions are significant influenced by the bulk water account the municipality received from the Nelson Mandela Bay Municipality.

According to the Nelson Mandela Bay Municipality, the Kouga municipality was incorrectly billed from December 2012 to April 2016.

## Chapter 5

### Payables – Non-Exchange Transactions

Payables have increased by R 0,053 million from R 16,153 million in 2015/16 to R 16,206 million in 2016/17. The increase was due to an increase in the sundry deposits held by the municipality.

### Current Portion of Long-Term Liabilities

The current portion increased by R 0,864 million from R 7,736 million in 2015/16 to R 8,600 million in 2016/17.

The net result is that the decrease in Current liabilities, accounted for a movement of R 14,275 million in the Net Assets of the Municipality.

### Non-current Assets:

- Property, Plant and Equipment decreased by R 17 million from R 2,028 billion in 2015/16 to R 2,011 billion in 2016/17.
- Intangible Assets decreased by R 0,084 million from R 0,147 million in 2015/16 to R 0,062 million in 2016/17.
- Long-term receivables decreased by R 0,103 million from R 0,168 million in 2015/16 to R 0,065 million in 2016/17.

The net result is that the decrease in Non-current assets accounted for a movement of R 17,560 million in the Net Assets of the Municipality.

### Current Assets:

#### Inventories

Inventories decreased by R 0,482 million from R 5,434 million in 2015/16 to R 4,952 million in 2016/17.

#### Receivables from exchange transactions

The decrease in receivables amounted to R 6,057 million, or 12.45%, when compared to the previous financial year.

Year	Gross Balances	Impairment Allowance	Carrying Amount
	R	R	R
2015/16	121,544,273	72,928,701	48,615,571
2016/17	124,533,889	81,975,109	42,558,781
<b>Decrease</b>	<b>2,989,616</b>	<b>9,046,408</b>	<b>-6,056,790</b>

#### Receivables from non-exchange transactions

The Receivables from non-exchange transactions increased from R 29,119 million to R 30,902 million, due to the decrease in Assessment Rates Debtors and Sundry Debtors.

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## **Cash and Cash Equivalents**

Cash and cash equivalents increased by R 5,681 million from R 78,573 million in 2015/16 to R 84,254 million in 2016/17.

The net result is that the increase in Current assets accounted for a movement R 7,834 million in the Net Assets of the Municipality

## **Conclusion:**

The Municipality's financial position been influenced by the following factors:

- Cash and cash equivalents increased by R 5,681 (7.23%) million from R 78,573 million in 2015/16 to R 84,254 million in 2016/17.
- Current Liabilities decreased by R 14,275 million (7.36%) from R 194,052 million in 2015/16 to R 179,777 million in 2016/17.
- The continued escalation in outstanding debtors poses a risk to the municipality's financial sustainability.

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## 5.1.3 FINANCIAL INDICATORS

The following ratios reflect the municipality's relative financial viability and sustainability:

<b>Borrowing Management</b>		<b>Actuals as at 30 June 2013</b>	<b>Actuals as at 30 June 2014</b>	<b>Actuals as at 30 June 2015</b>	<b>Actuals as at 30 June 2016</b>	<b>Actuals as at 30 June 2017</b>
Capital Charges to Operating Expenditure	Interest & principal paid/Total Operating Expenditure	3.79%	4.83%	4.50%	4.98%	4.43%
Borrowed funding of "own "capital expenditure	Borrowings/Capital expenditure excl. transfers & grants	0%	0%	0%	0%	0%
Debt Servicing Costs to Operating Revenue	Debt Servicing Costs / Total Operating Revenue - Conditional Grants	0.05	0.06	0.05	0.05	0.05
<b>Liquidity</b>						
Current Ratio	Current assets / current liabilities	0.54	0.54	0.72	0.86	0.97
Liquidity Ratio	Monetary assets / current liabilities	0.10	0.16	0.22	0.40	0.47
<b>Revenue Management</b>						
Annual Debtors Collection Rate	Billed Revenue / Receipted Revenue	96.33%	96.07%	98.91%	97.60%	95.81%

# Chapter 5

Other indicators		Actuals as at 30 June 2013	Actuals as at 30 June 2014	Actuals as at 30 June 2015	Actuals as at 30 June 2016	Actuals as at 30 June 2017
Cost coverage	(Cash and cash equivalents - Unspent Conditional Grants - Overdraft) + Short term investment)/monthly fixed operational expenditure excluding (depreciation, amortisation, provision for bad debts, impairment and loss on disposal of assets)	0.23 Months	0.25 Months	0.82 Months	1.59 Months	1.61 Months
Employee Costs	Employee Costs / Total Operating Expenditure	35.41%	35.32%	36%	36.93%	33.90%
Capital Expenditure	Capital Expenditure / Capital Budget	78.84%	21.35%	241.30%	81.97%	72.92%
Repairs and Maintenance as % of Total Operating Expenditure	Repairs and Maintenance / Total Operating Expenditure	3.52%	3.81%	4.46%	4.78%	5.07%
Repairs and Maintenance as % of PPE (Book Value)	Repairs and Maintenance / Net PPE	0.79%	0.95%	1.06%	1.46%	1.70%
Own Revenue Sources / Total Operating Revenue (Including operating grants)	Own Revenue Sources / Total Operating Revenue (Including Conditional Grants)	87.04%	87.21%	69.55%	84.74%	84.67%

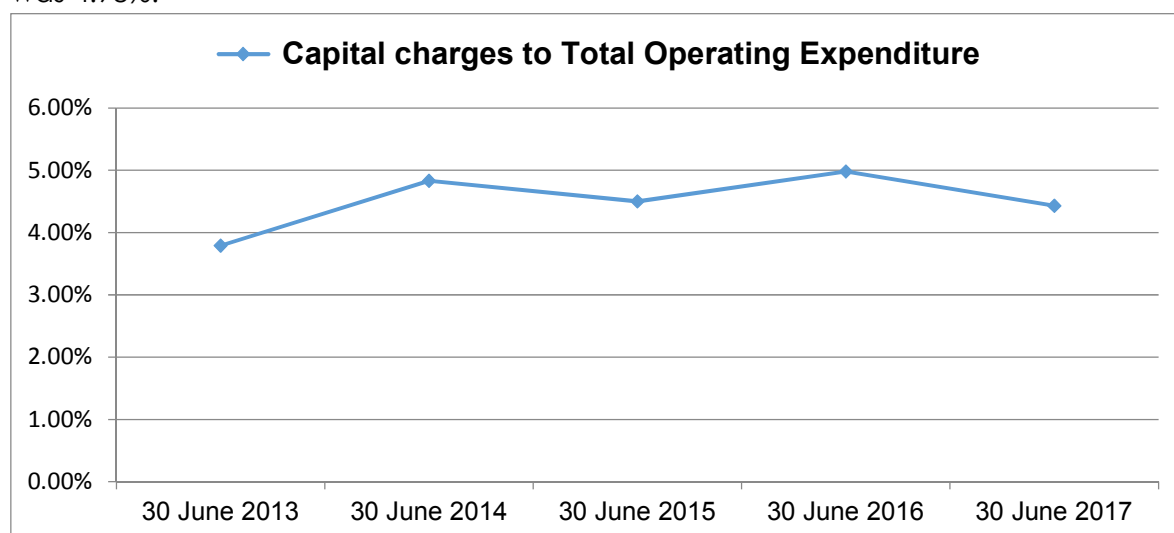
The above table is discussed in detail below.

#### **5.1.3.1 Capital charges to Operating Expenditure**

The Ratio indicates the cost required to service the borrowing. It assesses the Borrowing or Payment obligation expressed as percentage of Total Operating Expenditure.

##### **Capital charges/Total Operating Expenditure to date**

The ratio indicates that 4.43% of the Total Operating Expenditure was utilised for capital charges as at 30 June 2017, whilst the Municipality's audited ratio as at 30 June 2016 was 4.98%.



#### **5.1.3.2 Borrowed funding of capital expenditure**

This ratio indicates the proportion of borrowed funding to actual capital expenditure to date (excluding transfers and grants). The ratio also indicates the extent of capital expenditure being financed from borrowed funding compared to own and other funding sources, excluding transfers and grant funded expenditure.

The ratio is determined as follows:

##### **Capital expenditure funded from Borrowings/Total Capital Expenditure to date (excluding transfers and grants)**

As at 30 June 2017, the was 0% as no capital expenditure was funded from borrowings, whilst the Municipality's audited ratio as at 30 June 2016 was also 0%.

#### **5.1.3.3 Debt Servicing Costs to Operating Revenue Ratio**

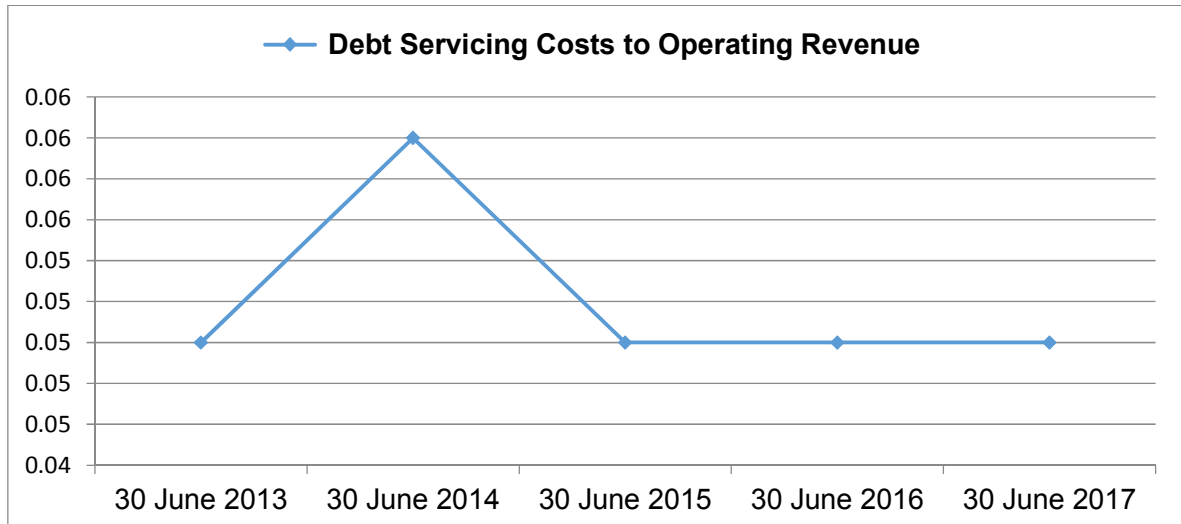
This ratio indicates the proportion of debt servicing costs (interest and principal paid on borrowing) to actual operating revenue to date.

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The ratio is determined as follows:

### Debt Servicing Costs/Operating Revenue

As at 30 June 2017, the ratio was 0.05:1, compared to the previous financial year audited ratio of 0.05:1 (30 June 2016).



#### 5.1.3.4 Current ratio

The Ratio assesses the Municipality's ability to meet its Short-term Liabilities (Debt and Payables) with its Short-term Assets (Cash, Inventory, Receivables etc.).

The ratio is determined as follows:

### Current assets/Current liabilities

As at 30 June 2017, the Ratio was 0.97:1, whilst the Municipality's audited ratio as at 30 June 2016 was 0.86:1

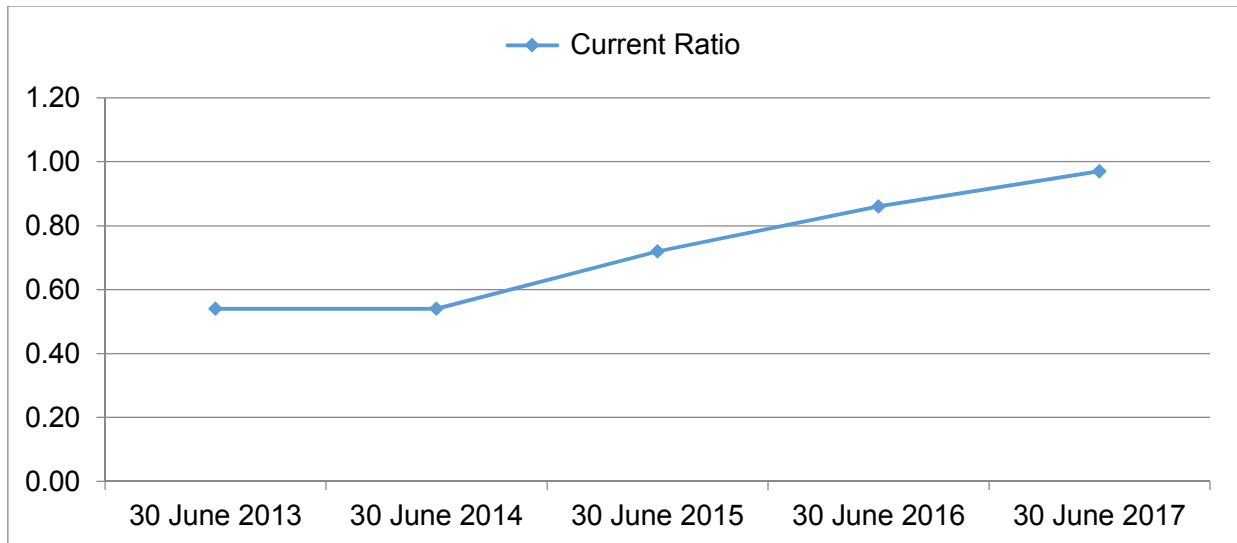
In terms of the MFMA Circular No. 71, the norm is 1.5:1 to 2:1

The higher the current Ratio, the stronger the Municipality's financial capacity to meet its current obligations.

A ratio of below 1:1 would suggest that the Municipality would be unable to meet all its current obligations as and when they fall due.



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### 5.1.3.5 Liquidity Ratio

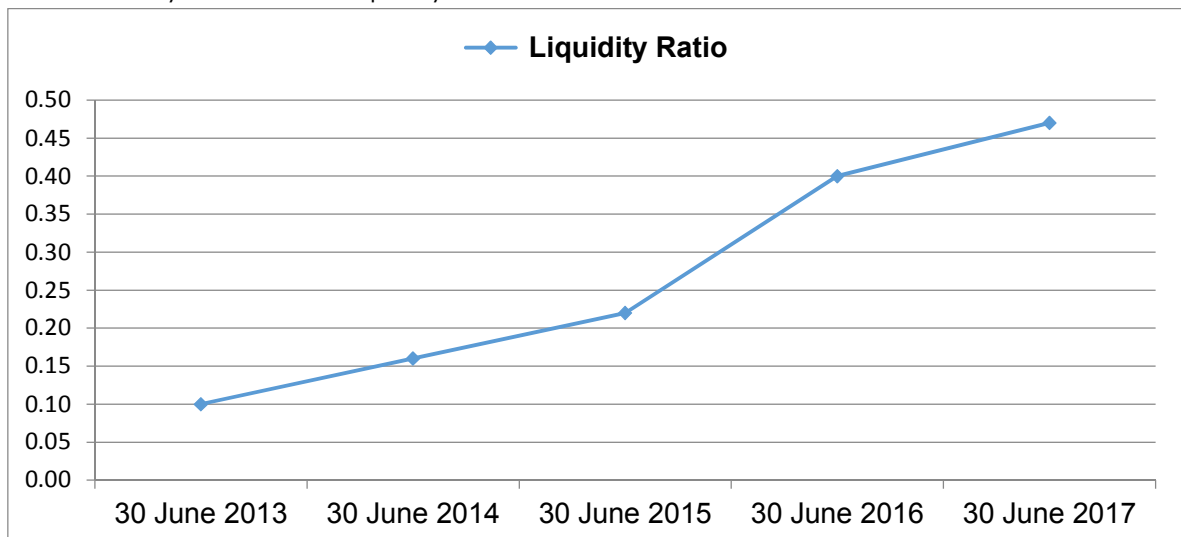
The liquidity ratio assesses a Municipality's ability to meet its short-term commitments from Monetary Assets.

The ratio is determined as follows:

#### Monetary assets/Current liabilities

A favourable ratio would ensure that the Municipality is able to settle its short-term commitments from monetary assets. The liquidity ratio as at 30 June 2017 was 0.47:1, whilst the Municipality's audited ratio as at 30 June 2016 was 0.40:1.

The liquidity ratio is of the utmost importance to measure the financial liquidity and sustainability of the municipality.



### 5.1.3.6 Annual Debtors Collection Rate

This ratio assesses the actual cash collected, compared to the monetary value of the municipal accounts rendered for municipal rates and services.

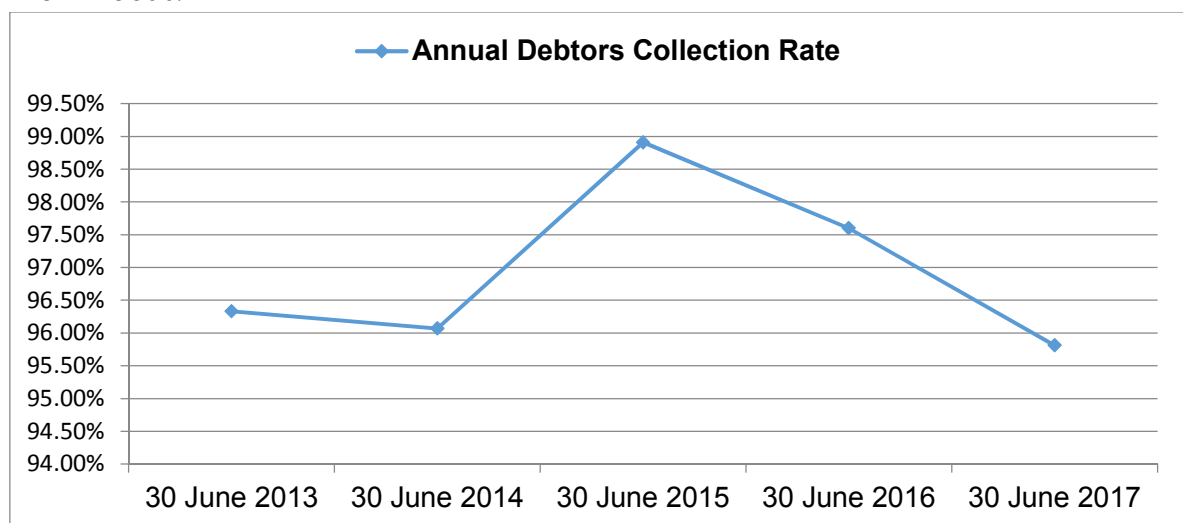
## Chapter 5

The ratio to determine the percentage collection rate is as follows:

**Total Payments Received in Current month/Total Value of Accounts Rendered in the Previous Month X 100**

**Note:** the reason for using the previous month's billing is due to the accounts only being payable the following month (i.e. account-holders are given one calendar month to pay their current accounts).

The average collection rate as at 30 June 2017 was 95.81%, compared to the average collection rate of 97.60% for the 2015/16 financial year. These percentages are calculated based on revenue receipted, compared to revenue billed on a month-to-month basis.



### 5.1.3.7 Cost coverage

The Ratio indicates the Municipality's ability to meet at least its monthly fixed operating commitments from cash and short-term investments, without collecting any additional revenue, during that month.

The Ratio is adjusted for Unspent Conditional Grants as the cash is not available for normal day-to-day operational expenditure, but rather reserved for Grant related expenditure.

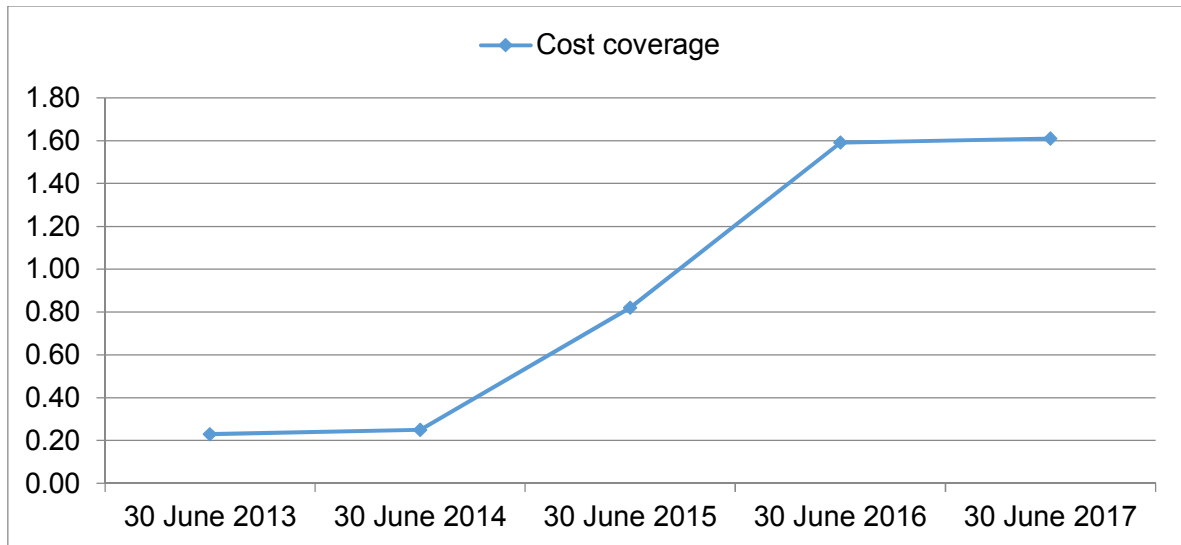
The ratio is determined as follows:

**Cash and cash equivalents – unspent conditional grants – overdraft + short-term investments/ monthly fixed operational expenditure excluding (depreciation, amortisation, provisions for bad debts, impairment and loss on the disposal of assets)**

As at 30 June 2017, the Ratio was 1.61 months, whilst the Municipality's audited ratio as at 30 June 2016 was 1.59 months.

In terms of MFMA Circular No. 71, the norm is 1 month to 3 months

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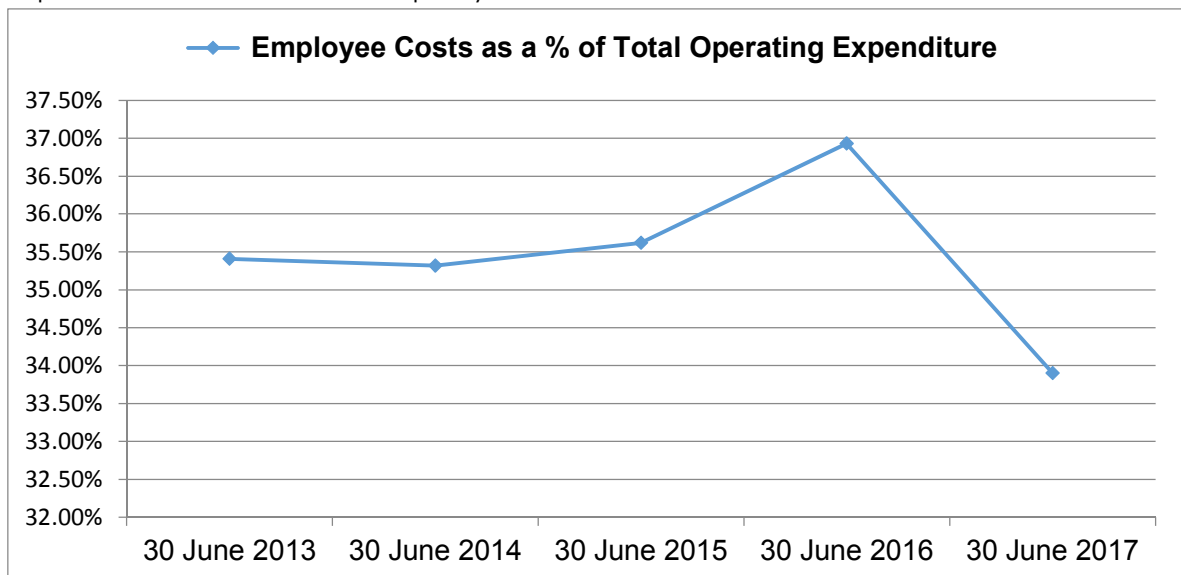
### 5.1.3.8 Employee costs as a % of Total Operating Expenditure

This ratio assesses the extent to which the Municipality's Total Operating Expenditure is consumed by costs associated with the employment of human resources.

The ratio is determined as follows:

#### Employee Costs to date/Total Operating Expenditure to Date

As at 30 June 2017, Employee Related Costs constituted 33.90% of the Total Operating Expenditure, whilst the Municipality's audited ratio as at 30 June 2016 was also 36.93%.



### 5.1.3.9 Repairs and Maintenance as a % of Total Operating Expenditure

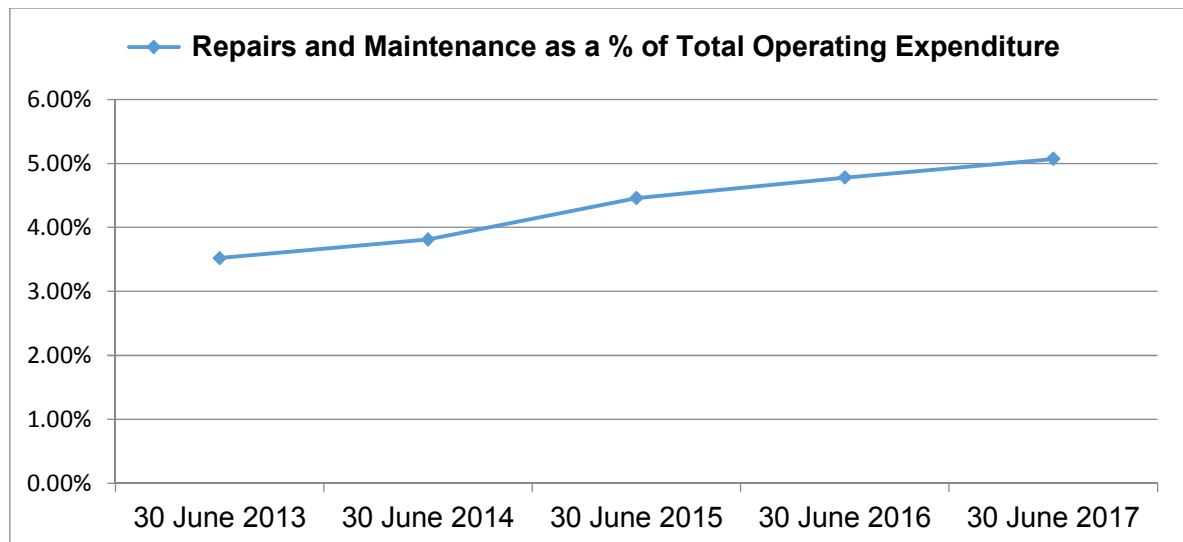
This ratio assesses the extent to which the Municipality's Total Operating Expenditure is consumed by costs associated with the repairs and maintenance of its assets.

The ratio is determined as follows:

## Chapter 5

### Repairs and maintenance expenditure to date / Total Operating Expenditure to date

As at 30 June 2017, the Ratio was 5.07%, compared to the Municipality's audited ratio of 4.78% as at 30 June 2016.



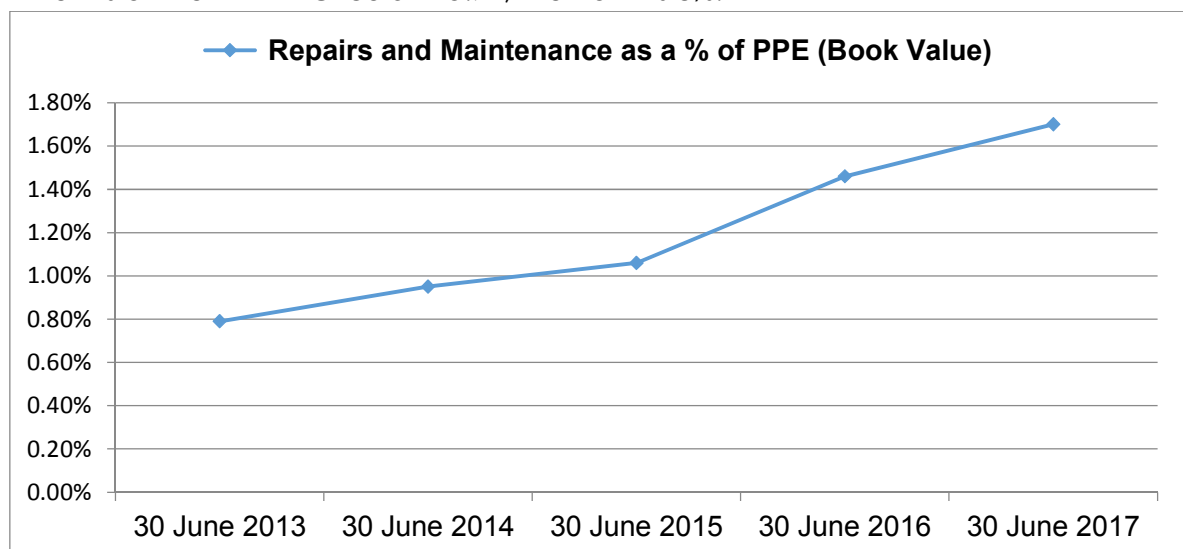
#### 5.1.3.10 Repairs and Maintenance as a % of the book value of Property, Plant and Equipment (PPE)

The Ratio measures the level of repairs and maintenance to ensure adequate maintenance to minimise breakdowns and interruptions in service delivery.

The ratio is determined as follows:

### Repairs and maintenance expenditure to date / Book value of PPE to date

As at 30 June 2017, repairs and maintenance expenditure constituted 1.70% of the book value of PPE. The Municipality's audited ratio as at 30 June 2016 was also 1.46%. In terms of the MFMA Circular No.71, the norm is 8%.



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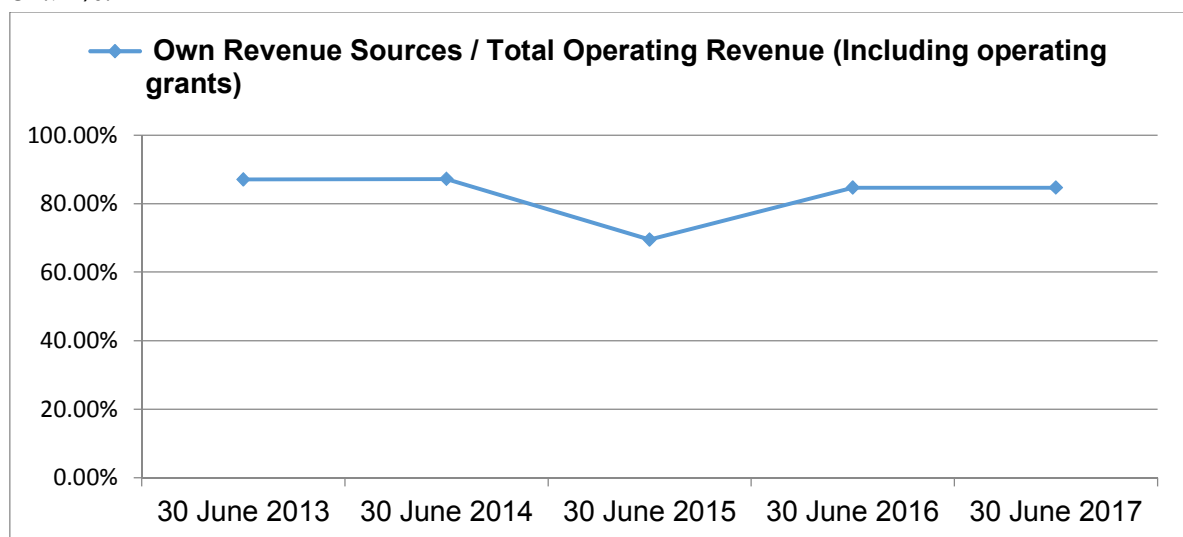
### 5.1.3.11 Own Revenue Generation

This ratio measures the extent to which the Municipality has control over its revenue sources, i.e. what percentage of its revenue is generated locally. The higher the ratio, the less reliant a Municipality is on Provincial and National Government to support its operations.

The ratio is determined as follows:

#### **Own Revenue Sources / Total Operating Income (includes operating grants)**

As at 30 June 2017, the Municipality's own revenue sources constituted 84.67% of its total Operating Income. The Municipality's audited ratio as at 30 June 2016 was 84.74%.



### 5.1.3.12 Capital Budget Spending

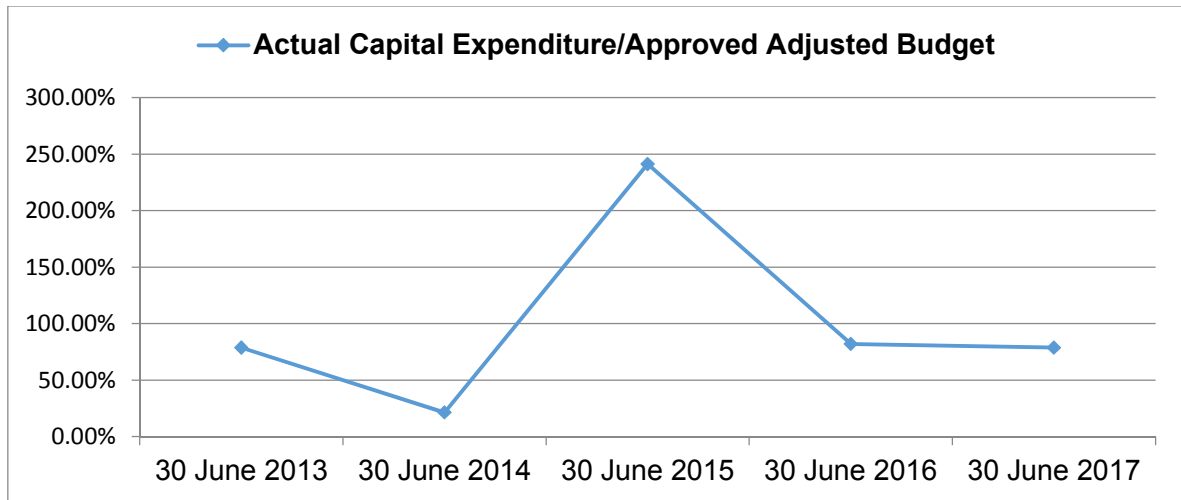
This ratio assesses the level of actual capital spending, compared to the budgeted capital expenditure.

The ratio is determined as follows:

#### **Actual Capital spending / Approved Capital Budget**

The actual spending as at the end of June 2017 amounted to 72.92%, compared to the 2016/17 Capital Adjustments Budget. The Municipality's audited ratio as at 30 June 2016 was 81.97%.

## Chapter 5



### 5.2 ARREARS IN PROPERTY RATES AND SERVICE CHARGES

(Refer to page 38 – 41 of Annual Financial Statements)

### 5.3 ANTI CORRUPTION STRATEGY

(The anti-corruption strategy and fraud prevention policies are both in draft format)

## COMPONENT B: OTHER FINANCIAL MATTERS

### 5.4 SUPPLY CHAIN MANAGEMENT

In terms of paragraph 6 of the Supply Chain Management Policy, the Council must maintain oversight over the implementation of this policy to ensure that the Accounting Officer implements all Supply Chain Management activities in accordance therewith.

# Chapter 5

## A. Compliance and Reporting

### 1. SARS Tax Compliance Status

The SCM Officials are required to be listed as users on the SARS E-Filing account of the municipality to verify the Tax Compliance Status of the Service Providers. SARS visited SCM on site with Budget & Treasury and completed the loading of two SCM Officials as users. Currently only one official remains in the employ of Kouga Municipality with access.

### 2. National Treasury Centralised Supplier Database

Supply Chain Management Officials were listed on the National Treasury Centralised Supplier Database. The municipality has been added as a supplier on the National Treasury Centralised Supplier database with the supplier number **MAAA0214163**.

### 3. Annual Database Advert

In May 2016 advertisements were placed in various newspapers informing existing service providers to update their database registration details and inviting new service providers to register on the municipality's supplier database and National Treasury's Supplier database.

In May 2017, Kouga Municipality migrated to the Centralised Supplier Database and a new advert was placed in the newspapers on the 20<sup>th</sup> & 21 July 2017. Service Providers were requested to update their database registration details and advised that the municipality has migrated to the Centralised Supplier Database.

### 4. Bid Committees

The below mentioned committees are established and functioning in accordance with the SCM Policy:

- Bid Specification Committee (BSC)
- Bid Evaluation Committee (BEC)
- Bid Adjudication Committee (BAC)

The committees are responsible to ensure that the required procurement processes are followed in respect of formal tenders.

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### 4(a). Bid Committee Meeting held for the financial year 2016/17

	BSC	BEC	BAC
Chairperson	A. Perils	A. Koegelenberg	S. Thys
Number of meetings that took place.	20	14	15
Number of meetings cancelled	1	3	0

### 5. Training- Supply Chain/ Stores Section

Number of Beneficiaries	Nature of Training	Content	Competency
1	In- house training	116362- Manage a Municipality's Assets and liabilities 116345- Apply the Principles of Budgeting within a municipality 116353 Participate in the design and implementation of municipal supply chain management	Competent
1	In- house training	116362- Manage a Municipality's Assets and liabilities 116345- Apply the Principles of Budgeting within a municipality 116353 Participate in the design and implementation of municipal supply chain management	Competent
1	In- house training	116362- Manage a Municipality's Assets and liabilities 116345- Apply the Principles of Budgeting within a municipality 116353 Participate in the design and implementation of municipal supply chain management	Competent
1	In- house training	116362- Manage a Municipality's Assets and liabilities 116345- Apply the Principles of Budgeting within a municipality	Competent



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Number of Beneficiaries	Nature of Training	Content	Competency
		116353 Participate in the design and implementation of municipal supply chain management	
1	University of Pretoria	Municipal Finance Management Programme	Provisional results received

### - Training Workshops held 2016/17 financial Year

Bid Committee members-

Description	Date	Who Attended	Facilitator	Where
Training on Bid Committees- specifically- Bid Specifications	4 May 2017	Bid Committee Members and Management	Provincial Treasury	In-House
Standard for Infrastructure Procurement and Delivery Management	13-14 June 2017	A. Perils A. Koegelenberg N. Malgas-Goeda C. Groenewald	CESA	Port Elizabeth

### 5. Monthly and Quarterly reports

Monthly deviations reports are submitted in terms of the SCM policy for the procurement of goods and service (See 6C and 6D below).

Monthly and quarterly reports are required to be submitted to Provincial and National Treasury in respect of procurement of goods and services. These reports were submitted in terms of paragraph 6 of the Supply Chain Management Policy.

Monthly reports are submitted to the Standing Committee meetings

### 6A. Informal Tenders (Price Quotations) Awarded:

A Total of Fourteen (14) formal price quotations were awarded for the period 1 July 2016 to 30 June 2017, see details below:

Notice Number	Description	Winning Service Provider
31/2016	Re-Advertisement of Supply and Delivery of Wheelchairs	Maximed CC

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Notice Number	Description	Winning Service Provider
39/2016	Occupational Health and Safety Training	Nosa PTY LTD and NSA Multiservices CC t/a Riverport SHE Training Academy
60/2016	Re-Advertisement of 146/2016 Manufacture, Supply and Install Security Gates and Palisade Fencing at Kouga Cultural Centre	Mdani Roof Cleaning and Painting
74/2016	Engine Overhaul of Toyota Sedan x2 – DTD514EC and DTD515EC	John Dirker Engineering
75/2016	Hire of Front End Loader	Naomi Plant Hire and Hire Trading
77/2016	Supply Network and Desktop Management Perpetual License Maintenance Renewal	Sisonke Software Solutions
137/2016	Supply of five (5) single cabs and one (1) double cab bakkie to hire for 45 days inclusive of variation order	Eco Car Hire
139/2016	Supply of two (2) vehicles suitable for traffic control to hire for 45 Days inclusive of variation order	Eco Car hire
78/2016	Engine Overhaul of Isuzu CAB LWD 2X4 – FKM547EC	Isodor Jeggels t/a Truck & Motor City
132/2016	New Electrical tariffs for 2017/18 Financial Year	Clinkscales Maughan Brown
10/2017	Re-advertisement: Supply and Delivery of Blankets and Mattresses	Premier Attractions 528 CC t/a ZJS Distributor
44/2017	Supply and Delivery of an Electronic Binding Machine	Omni Technologies
63/2017	Engine Overhaul Tipper MAN truck	Isodor Jeggels t/a Truck & Motor City
20-23/2017	Appointment of an Accredited Recruitment Company: Recruitment of Municipal Manager	Roy Steele & Associates t/a ODS Consultants

## Chapter 5

### 6B. Competitive Bids awarded for the period:

A total of twenty 26 (26) bids was awarded for the Financial Year from 1 July 2016 to 30 June 2017.

#### 1. Notice 05/2016 Provision of Maintenance and Fuel Card Services

Contractor	Amount	Date
Wesbank	R 560 563.27	22 August 2016

#### 2. Notice 38 of 2016 Appointment of an Occupational Medical Practitioner (OMP) to Conduct Medical Surveillance on Kouga Local Municipality Employees

Contractor	Amount	Date
Poli Clinic	R 1 150.00 per employee	23 September 2016

#### 3. Notice 59/2016 – Water Safety Plan Review, Risk Management and Incident Management Protocol for Blue Drop Programme at All Water Treatment Works

Contractor	Amount	Date
Uhambiso Consult	R 410 856.00	23 September 2016

#### 4. Notice 58/2016 – Resealing of Roads

Contractor	Amount	Date
CCST	R 2 325 429.00	23 September 2016

#### 5. Notice 61/2016 – Upgrading of Jeffreys Bay Water Treatment Works Phase 1

Contractor	Amount	Date
Masiphumele Trading	R 2 387 719.09	23 September 2016

#### 6. Notice 83 of 2016 Appointment of Environmental Management Practitioner for Ocean View Housing Project

Contractor	Amount	Date
Agas Omega PTY LTD	R 286 847.00	02 February 2017

#### 7. Notice 102 of 2016 Bulk Infrastructure Work and Electrification of 190 Sub Economic Houses at Kruisfontein in Humansdorp inclusive of Variation Order.

Contractor	Amount	Date
MDL Electrical	R 4 800 565.59	02 February 2017
Variation order	R 494 759.14	30 March 2017

#### 8. Notice 95 of 2016 Supply and Delivery of a Surge Wave Generator

## Chapter 5

Contractor	Amount	Date
Flo Specialized Product Solutions	R 447 279.00	02 February 2017

### 9. Notice 80 of 2016 Various Stores Requirement

Contractor	Amount	Date
Core Bern Pty Ltd	Various Rates	17 February 2017
Premier Pipe Supply Pty Ltd	Various Rates	17 February 2017
Joat Consulting Pty Ltd	Various Rates	17 February 2017
Mso-Ndili Trading	Various Rates	17 February 2017
Nagel t/aBrilliant Paper	Various Rates	17 February 2017
Odesa Trading Pty Ltd	Various Rates	17 February 2017
ARB Electrical Wholesalers	Various Rates	17 February 2017
Herbcon Services CC	Various Rates	17 February 2017
Makwande U Khanyiselo	Various Rates	17 February 2017
Khanda Projects cc	Various Rates	17 February 2017
Midnight Star Trading 186	Various Rates	17 February 2017
Tetcon Sales & Services	Various Rates	17 February 2017
Salimode Pty Ltd	Various Rates	17 February 2017
Actom Pty Ltd	Various Rates	17 February 2017

### 10. Notice 82 of 2016 Standardization of Fire Hydrants

Contractor	Amount	Date
Iviwe Engineering Solutions	R 6 600.00 per unit	27 February 2017

### 11. Notice 79 of 2016 Supply and Delivery of Air Conditioners

Contractor	Amount	Date
V and A Airconditioning	Various rates	24 March 2017
Algoa Project Management	Various rates	24 March 2017

### 12. Notice 94/2016 Supply and Delivery of Desktops and Laptops

Contractor	Amount	Date
Mars Technolgies	Various rates	24 March 2017
Go Computer Cash and Carry	Various rates	24 March 2017
TCL Consulting	Various Rates	24 March 2017

### 13. Notice 126/2017 General and Supplementary Valuations

## Chapter 5

Contractor	Amount	Date
DDP Valuers	R 3 072 146.00	30 March 2017

14. Notice 124 of 2016 Upgrading of the Cormorant Sewerage Pump Station in Jeffreys Bay

Contractor	Amount	Date
Northfield Engineering	R 1 899 060.55	11 April 2017

15. Notice 2/2017 Supply and Delivery of Skip bins

Contractor	Amount	Date
Trolley and Bin	R 348 840.00	11 April 2017

16. Notice 30 of 2017 Supply and delivery and Installation of Server for MSCOA System

Contractor	Amount	Date
Datacentric	R 497 501.60	25 May 2017

17. Notice 114 of 2016 Supply and Delivery if Mesch Truck and 21 Cubic metre Refuse Compactor Truck

Contractor	Amount	Date
Shorts Nissan – Mesch Truck	R 1 169 474.70	7 June 2017
Shorts Nissan – Refuse Truck	R2 758 401.00	7 June 2017

18. Notice 3 of 2017 Supply and Delivery of Tables and Chairs for Community Halls

Contractor	Amount	Date
Rawat Distributors - Tables	R 682.86	7 June 2017
Bokgaga IT Technologies - Chairs	R 79.99	7 June 2017

19. Notice 11 of 2017 Upgrading of Oysterbay Waste site to a Drop Off Zone

Contractor	Amount	Date
NTC General Trading	R 426 701.58	7 June 2017

20. Notice 12 of 2017 Supply and Delivery of Fire Fighting Uniforms and Protective equipment

Contractor	Amount	Date
Select PPE PTY LTD	Various Rates	30 June 2017
TR Supply t/a TR Sport		
Sparks and Ellis		
Quench Atlantic PTY LTD t/a Vanguard Fire and Safety		

## Chapter 5

Contractor	Amount	Date
Mac Net Business Development		
AJ Charnaud & Co PTY LTD		
Mabhobho Trading PTY LTD		

### 21. Notice 25 of 2017 Supply and Delivery of a Skip truck

Contractor	Amount	Date
Southern Ambition 1547 CC	R 990 470.00	7 June 2017

### 22. Notice 26 of 2017 Supply and Delivery of a New Light Delivery Vehicle

Contractor	Amount	Date
Simunye Fleet Management PTY LTD	R 276 128.39	30 June 2017

### 23. Notice 29 of 2017 Supply and Delivery of Grass Cutting Equipment

Contractor	Amount	Date
Tender cancelled		30 June 2017

### 24. Notice 31 of 2017 Supply and Delivery of a Mesch Truck and 21 Cubic metre Refuse Compactor Truck

Contractor	Amount	Date
Shorts Nissan – Mesch Truck	R 1 170 614.70	30 June 2017
Shorts Nissan – Refuse Truck	R 2 522 382.24	

### 25. Notice 34 of 2017 Supply and Delivery of Traffic/Law Enforcement/ Security Uniforms and Protective Clothing

Contractor	Amount	Date
Southern Ambition 1547 CC	Various Rates	30 June 2017
Sparks and Ellis	Various Rates	

### 26. MFMA Section 32 award for GRAP Compliant Integrated Asset Management Consultancy and Support Services

Contractor	Amount	Date
A2A Kopano Incorporated Chartered Accountants and Registered Auditors	R 741 000.00	03 May 2017

## Chapter 5

### 6C. Operational Deviations for the period below R30 000.00:

The breakdown per directorate for the period 1 July 2016 to 30 June 2017 is as follows:

Total Expenditure for Operational Deviations per Directorate	
Finance	R 2 553 812,90
Social Services	R 211 050.01
Infrastructure/Planning/Development	R 89 962,53
Administration	R 1 271 028,92
LED and Tourism	R -
Total	R 4 125 854.36

### 6D. Section 39 Deviations in terms of Supply Chain Management Policy

The section 39 deviations for the period amounted to R 14 086 643.64 below please find the breakdown per section and directorate:

#### 2016/17 S39 DEVIATION TOTAL PER SECTION/ DIRECTORATE

FINANCE: FLEET AND ASSET	R 5 811 757.49
FINANCE: REVENUE SECTION	R 0,00
FINANCE - BUDGET & TREASURY	R 49 128,00
FINANCE: STORES	R 0,00
FINANCE: IT	R 35 890,00

**FINANCE -TOTAL = R 5 896 775.49**

INFRASTRUCTURE DEVELOPMENT & PLANNING: TECHNICAL SERVICE (ROADS/WATER/CHEMICALS/SEWERAGE/PROFESSIONAL FEES)	R 1 064 723,22
INFRASTRUCTURE DEVELOPMENT & PLANNING: ELECTRICAL	R 252 709.50
INFRASTRUCTURE DEVELOPMENT & PLANNING: HOUSING	R 181 673,25

**IPD TOTAL= R 1 499 105.77**

ADMINISTRATION: LEGAL FEES	R 1 121 201.27
ADMINISTRATION: SKILLS DEVELOPMENT	R 0
ADMINISTRATION: OTHER	R 45 600,00
ADMINISTRATION: HR	R 0,00
ADMINISTRATION: ARCHIVES	R 0,00

## Chapter 5

**AME TOTAL= R 1 166 801.27**

SOCIAL SERVICES: FIRE DEPARTMENT / DISASTER MANAGEMENT	R 129 478,65
SOCIAL SERVICES: TRAFFIC DEPARTMENT/LAW ENFORCEMENT	R 330 743,00
SOCIAL SERVICES: WASTE MANAGEMENT	R 0,00
SOCIAL SERVICES: PARKS/REFUSE	R 132 001,00

**SOCIAL SERVICES TOTAL = R 592 222.65**

LED/TOURISM

R 0,00

**STATEGIC TOTAL= R 0.00**

**TOTAL AMOUNT OF DEVIATION FOR 2016/17 FIN YR**

**R 9 154 905.38**



# Chapter 6

## CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

### INTRODUCTION

The Constitution S188 (1) (b) states that the functions of the Auditor-General includes the auditing and reporting on the accounts, financial statements and financial management of all municipalities. MSA section 45 states that the results of performance measurement... must be audited annually by the Auditor-General. The Kouga Municipality's financial statements were audited by the AG and was declared a fair representation of the financial position of the municipality.

## COMPONENT A: AUDITOR-GENERAL OPINION ON FINANCIAL STATEMENTS

### 6.1 AUDITOR GENERAL REPORT

## Chapter 6

# Chapter 6

## Report of the auditor-general to the Eastern Cape Provincial Legislature and the council on the Kouga Local Municipality

### Report on the audit of the financial statements

#### Opinion

1. I have audited the financial statements of the Kouga Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2017, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kouga Local Municipality as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2016 (Act No. 3 of 2016) (DoRA).

#### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

#### Fruitless and wasteful expenditure

7. Fruitless and wasteful expenditure of R35,3 million (2016: R34,8 million) had accumulated over the last seven years and had not been recovered, written off or condoned, as disclosed in note 47.2 to the financial statements. Fruitless and wasteful expenditure of R0,5 million (2016: R0,8 million) incurred during the current year is included in the amount disclosed.

# Chapter 6

## Irregular expenditure

8. Irregular expenditure of R98,9 million (2016: R92,6 million) had accumulated over the last seven years and had not been recovered, written off or condoned, as disclosed in note 47.3 to the financial statements. Irregular expenditure of R6,3 million (2016: R2,4 million) incurred during the current year is included in the amount disclosed.

## Unauthorised expenditure

9. Unauthorised expenditure of R81 million (2016: R369 million) had accumulated over the last five years and had not been recovered, written off or condoned, as disclosed in note 47.1 to the financial statements.

## Material losses – water

10. As disclosed in note 48.9 to the financial statements, material water losses to the amount of R21 million (2016: R20 million) were suffered, which represented 38.5% (2016: 39%) of the total water purchased. The losses were due to leakages, tampering with meters, incorrect ratios used for bulk meters, faulty meters and illegal water connections.

## Restatement of corresponding figures

11. As disclosed in note 43 to the financial statements, the corresponding figures for 30 June 2016 have been restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2017.

## Other matter

12. I draw attention to the matter below. My opinion is not modified in respect of this matter.

## Unaudited disclosure notes

13. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

## Responsibilities of the accounting officer

14. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
15. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting officer either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

# Chapter 6

## Auditor-general's responsibilities for the audit of the financial statements

16. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
17. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

## Report on the audit of the annual performance report

### Introduction and scope

18. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
19. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
20. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2017:

Development priorities	Pages in the annual performance report
Development priority 2 – local economic development	x – x
Development priority 5 – provision of infrastructure and basic services	x – x

21. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.



## Chapter 6

22. The material findings in respect of the usefulness and reliability of the selected development priorities are as follows:

### Development priority 2 - Local economic development

#### Usefulness

*Reported strategic objectives not consistent or complete when compared with planned strategic objectives*

23. The strategic objectives reported below were not reported in the annual performance report. This is not in line with the requirements of section 41(c) of the MSA:

- To create an enabling environment for economic growth that attracts investors, encourages innovation and facilitates pro-poor inventions.
- To facilitate real opportunities for youth, women and people with disabilities

Number of jobs created through private public partnerships

*Reported indicator not consistent or complete when compared with planned indicator*

24. The indicator was reported as number of jobs created through private public partnerships while the indicator was approved as number of jobs created through LED initiatives, inclusive of municipal capital projects in the service delivery agreement. This is not in line with the requirements of section 41(c) of the Municipal Systems Act, 2000 (Act No. 32 of 2000).

*Reported target not consistent or complete when compared with planned target*

25. The target was reported as 500 temporary jobs created through private public partnerships while the target was approved as 500 temporary Jobs created through LED initiatives, inclusive of municipal capital projects in the service delivery agreement. This is not in line with the requirements of section 41(c) of the Municipal Systems Act, 2000 (Act No. 32 of 2000).

## Chapter 6

### Reliability

26. The reported achievement for the targets listed below was misstated as evidence provided did not agree with the reported performance

Indicator	Reported actual target	Audited actual target
Number of indicators rural residents and SMME's exposed to development programmes	300 Farmers/rural residents and SMME's exposed to development programmes	420 Farmers/rural residents and SMME's exposed to development programmes
Number of community members participating in arts /sports heritage training programs	500 Community members participated in Arts/Sports/ Heritage programs	6935 Community members participated in Arts/Sports/ Heritage programs
Number of jobs created through private public partnerships	500 temporary jobs created through private public partnerships	344 temporary jobs created through private public partnerships

# Chapter 6

## Development priority 5 -Provision of infrastructure and basic service delivery

### Usefulness

*Reported strategic objectives not consistent or complete when compared with planned strategic objectives*

27. The strategic objectives reported below were not reported in the annual performance report. This is not in line with the requirements of section 41(c) of the Municipal Systems Act, 2000 No. 32 of 2000:

- To promote access for all citizens to equitable, appropriate and sustainable infrastructure and service within a safe environment.
- To ensure ecological integrity through sustainable practices of municipal governance

### Reliability

28. The reported achievement for the following indicators and targets were misstated as the evidence provided did not agree to the reported performance.

Indicator	Reported actual performance	Audited actual performance
% of properties in formal residents areas provided with sanitation	100% of properties in formal residential areas are serviced with sanitation services	48% of properties in formal residential areas are serviced with sanitation services
% of properties in formal residents areas provided with electricity	100% of properties in formal residential areas are serviced with electricity connections	77% of properties in formal residential areas are serviced with electricity connections
Number of residents participated in HIV/AIDS programs presented by Kouga	As at 30 June 2017 the target of 200 participants was achieved.	As at 30 June 2017 the target of 227 participants was achieved.

### Other matters

29. I draw attention to the matters below.

### Achievement of planned targets

30. Refer to the annual performance report on pages x to x; x to x for information on the achievement of planned targets for the year and explanations provided for the under / over achievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 23 -28 of this report.



# Chapter 6

## Adjustment of material misstatements

31. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of the development priority. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

## Report on audit of compliance with legislation

### Introduction and scope

32. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
33. The material findings on compliance with specific matters in key legislations are as follows:

### Annual financial statements

34. The financial statements submitted for auditing were not prepared, in all material respects, in accordance with the requirements of section 122 of the MFMA. Material misstatements in the cash flow statement identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

### Strategic planning and performance management

35. The performance management system and related controls were inadequate as it did not describe and represent the processes of performance planning, monitoring, measurement, review, reporting and improvement and how it is conducted, organised and managed, as required by sections 38 of the Municipal Systems Act MSA and regulation 7 of the Municipal planning and performance management regulations.
36. A mid-year performance assessment was not completely performed as required by section 72(1)(a)(ii) of the MFMA.

### Human resource management and compensation

37. A senior manager did not sign a performance agreement within the prescribed period, as required by section 57(2)(a) of the MSA.

### Expenditure management

38. Reasonable steps were not taken to prevent irregular as well as fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.
39. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

# Chapter 6

## Procurement management

40. Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of supply chain management regulation 36(1).

## Consequence management

41. Irregular as well as fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.

## Other information

42. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected development priorities presented in the annual performance report that have been specifically reported on in the auditor's report.
43. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
44. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
45. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate, however, if it is corrected this will not be necessary.

## Internal control deficiencies

46. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report
- Leadership has not adequately monitored the action plans to address the performance and compliance reporting. Furthermore, the accounting officer has not held officials accountable for non-performance of their functions.

## Chapter 6

- Management need to ensure that performance reports are prepared and reviewed on quarterly basis and are supported by reliable information.
- Management need to ensure that all the reports requested by the audit committee are submitted timeously during the financial year. In addition, all internal audit and audit committee recommendations need to be implemented during the financial year

Auditor-General

East London

30 November 2017



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# Chapter 6

## Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected development priorities and on the municipality's compliance with respect to the selected subject matters.

### Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
  - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Kouga Local Municipality's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a municipality to cease to continue as a going concern.
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

#### **Communication with those charged with governance**

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.



## 6.2 AUDIT ACTION PLAN ON AUDITOR GENERAL REPORT

Refer to attached Appendix G

### GLOSSARY

<b>Accessibility indicators</b>	Explore whether the intended beneficiaries are able to access services or outputs.
<b>Accountability documents</b>	Documents used by executive authorities to give “ <i>full and regular</i> ” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
<b>Activities</b>	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “ <i>what we do</i> ”.
<b>Adequacy indicators</b>	The quantity of input or output relative to the need or demand.
<b>Annual Report</b>	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
<b>Approved Budget</b>	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
<b>Baseline</b>	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
<b>Basic municipal service</b>	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
<b>Budget year</b>	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
<b>Cost indicators</b>	The overall cost or expenditure of producing a specified quantity of outputs.
<b>Distribution indicators</b>	The distribution of capacity to deliver services.

<b>Accessibility indicators</b>	Explore whether the intended beneficiaries are able to access services or outputs.
<b>Financial Statements</b>	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
<b>General performance indicators</b> <b>Key</b>	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
<b>Impact</b>	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
<b>Inputs</b>	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
<b>Integrated Development Plan (IDP)</b>	Set out municipal goals and development plans.
<b>National performance areas</b> <b>Key</b>	<ul style="list-style-type: none"> <li>• Service delivery &amp; infrastructure</li> <li>• Economic development</li> <li>• Municipal transformation and institutional development</li> <li>• Financial viability and management</li> <li>• Good governance and community participation</li> </ul>
<b>Outcomes</b>	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
<b>Outputs</b>	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
<b>Performance Indicator</b>	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)

<b>Accessibility indicators</b>	Explore whether the intended beneficiaries are able to access services or outputs.
<b>Performance Information</b>	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
<b>Performance Standards:</b>	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
<b>Performance Targets:</b>	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
<b>Service Delivery Budget Implementation Plan</b>	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
<b>Vote:</b>	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <p><i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i></p> <p><i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i></p>



## APPENDICES

### APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

NAME OF COUNCILLOR	COMMITTEE ALLOCATED	WARD	PARTY	PERCENTAGE.OF COUNCIL MEETINGS ATTENDED	APOLOGIES TENDERED IN WRITING TO THE OFFICE OF THE SPEAKER
F Campher	IPD/COMM SERVICES	Ward 4	DA	100	0
B F Rheeder	IPD/CORP SERVICES	Ward12	DA	95	1
WPD Gertenbach	IPD	Ward 3	DA	95	1
B Dhludhlu	IPD/LED	PR	DA	90	2
C Matroos	IPD	PR	ANC	76	0
A Mabukane	IPD	Ward 10	ANC	85	1
Z Mayoni	IPD/COMM SERVICES	Ward 1	ANC	71	0
EC van Lingen	Ex-officio	PR	DA	100	0
F Baxter	TOURISM	PR	DA	100	0
H Hendricks	Ex-officio	Ward 15	DA	95	1
B Williams	FINANCE/TOURISM	PR	DA	90	0
H Bornman	TCI/CORP SER/FIN/LED	Ward 11	DA	90	0
FJ Louw	TOURISM	PR	DA	90	1
VA Camealio-Benjamin	TOURISM/FINANCE	PR	ANC	95	1
S Mandeka	TOURISM	Ward 14	ANC	95	0
S Jujwana	TOURISM/CORP SERVICES	Ward 9	ANC	95	0
L Vorster	FINANCE/LED	Ward 8	DA	90	0
M.Dayimini	FINANCE/LED	PR	ANC	81	1
D Biggs	CORP SERVICES	PR	DA	71	0
D Benson	CORP SERVICES/ CS	PR	DA	100	0
P Nkwalase	CORP SERVICES/LED	PR	ANC	85	0
S Vumazonke	CORP SERVICES	Ward 6	ANC	90	0
N.S Botha	COMM SERVICES	PR	DA	90	0
DM Nkomo	COMM SERVICES	PR	DA	90	0
T Meleni	COMM SERVICES	Ward 2	ANC	85	0
MPeters	COMM SERVICES	13	ANC	95	0
B Carstens	LED	PR	DA	80	2
E Februarie	LED	PR	ANC	71	2

# APPENDIX B –WARD REPORTING

	WARD	WARD COMMITTEE ATTENDED	JULY 2016	AUG 2016	SEP 2016	OCT 2016	NOV 2016	DEC 2016	JAN 2017	FEB 2017	MAR 2017	APR 2017	MAY 2017	JUNE 2017
Cllr Z Mayoni	1	6			0	0	0	6	19	24		13	22	12
Cllr T Meleni	2	7		New Council	0	0	0	8	12	13	13	10	10	12
Cllr W Gertenbach	3	8			0	19	22		26	23	23	26	25	20
Cllr F Campher	4	8			0	0	8	6	12	13	13	10	15	12
Cllr D Petersen	5	7			0	0		5	12	8	8	5	10	14
Cllr V Vumazonke	6	7			0		29		9	9	9	11	10	9
Cllr E Februarie	7	7			0	0	24	1	19	13	8	6	11	
Cllr L Vorster	8	8			0	27	29		12	14	14	11	9	13

	WARD	WARD COMMITTEE ATTENDED	JULY 2016	AUG 2016	SEP 2016	OCT 2016	NOV 2016	DEC 2016	JAN 2017	FEB 2017	MAR 2017	APR 2017	MAY 2017	JUNE 2017
Cllr S Jujwana	9	9				31	15	7	11	7	8	4	12	14
Cllr A Mabukan e	10	7					22		11	10	14	5	3	7
Cllr H Bornman	11	7					29		26	22	30	25	27	29
Cllr B Rheeder	12	4							25		8	19		14
Cllr M Peters	13	7						13	11	8	8	10	10	7
Cllr S Mandeka	14	7					29		12	13	13	12	12	12
Cllr H Hendricks	15	6								15/24	15	11	9	13

## APPENDIX C – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE

### Kouga Audit Committee Annual Report: 2016/2017

#### KOUGA AUDIT COMMITTEE MEMBERS

The audit committee was appointed by the Council on 3 May 2013, and re-appointed during May 2015 in terms of the MFMA no. 56 of 2003 and the Shared Audit Committee Terms of Reference were approved on 6 July 2006.

The audit committee consisted of the following independent external members :

MEMBER	NUMBER OF MEETINGS ATTENDED
J Bignaut (Chair)	4
RD Coetzer	4
M De Bruin	3

The audit committee endeavors to meet at least four times per annum as per its approved terms of reference, although additional special meetings may be called as the need arises.

Besides the Kouga Audit Committee members, the meetings were also attended at various times by :

The Mayor

The Chief Financial Officer (acting)

Director: Administration, Monitoring & Evaluation

Director: Infrastructure, Planning & Development

Director: LED, Tourism & Creative Industries

Director: Social Services

Manager: Performance Management

Representatives from internal audit – KPMG

Representatives from the Auditor General's office

It must be noted that the outgoing Municipal Manager did not attend audit committee meetings.

The newly appointed Municipal Manager attended the Audit Committee meeting held on 29<sup>th</sup> June 2017.

Kindly refer to the four quarterly Audit Committee reports (attached hereto) for more detail

## MATTERS TO BE TAKEN COGNISANCE OF

It must be noted with that the outgoing Municipal Manager failed to perform reviews and failed to report on Performance as required by the MFMA.

### ITEMS THE AUDIT COMMITTEE REPORTS ON IN THIS REPORT:

- INTERNAL FINANCIAL CONTROL AND INTERNAL AUDIT
- RIKS MANAGEMENT
- ACCOUNTING POLICIES
- EFFECTIVE GOVERNANCE
- PERFORMANCE MANAGEMENT AND EVALUATION
- ADEQUACY AND RELIABILITY OF FINANCIAL REPORTING
- COMPLIANCE WITH LEGISLATION
- RESPONDING TO MATTERS RAISED IN THE AUDIT REPORT OF THE AUDITOR GENERAL
- REVIEW OF ANNUAL FINANCIAL STATEMENTS

#### 1. INTERNAL FINANCIAL CONTROL AND INTERNAL AUDIT Financial

controls refer:

- Operational Expenditure (employee and related costs) was incurred in excess of approved budgets.
- Capital Expenditure was not fully achieved in line with approved budgets.
- Monies owing by the municipality were not always paid within 30 days.
- Reasonable steps were not taken to prevent or correct unauthorised expenditure, fruitless and wasteful expenses.
- Electricity losses remain an issue which requires attention.

The monthly budget reports prepared by the CFO are relevant, concise and user friendly, enabling users to understand the financial position and performance.

The internal Audit function is currently being outsourced to KPMG and seems to be effective despite the challenges related to an outsourced internal audit system. During the year under review the Internal Audit Charter and the internal audit plan reviewed and accepted.

Internal audit performed various reviews during the year under review including some follow up reviews. It has also updated the risk register and appears to be functioning effectively.

**The 2016/2017 year has seen a decline in the effective functioning of various internal controls which poses a risk of increased fraud and error either occurring or not being detected.**

**This may impact negatively on the audit report issued by External Audit.**

#### 2. RISK MANAGEMENT

Internal audit has updated a Risk Management Plan.

The risks identified on the risk management plan require further action from the municipality in order to improve the control environment and the functioning of the internal control system, so that risks are mitigated or reduced to acceptable levels.

The municipality faces material financial and operational risks arising from constraint cash flows; ageing infrastructure and non-compliance with legislation and as a result significant contingent liabilities have been disclosed in the financial statements.

The fact that Performance Management System is not currently functioning as it should, and the fact that Performance targets do not seem to be aligned to the Integrated Development plan increases the risk that these risks will not receive the attention they deserve.

### **3. ACCOUNTING POLICIES**

No significant changes in accounting policies were identified.

### **4. EFFECTIVE GOVERNANCE**

Although compliance with governance requirements appear to have improved, certain weaknesses or areas of non-compliance have been identified.

Leadership by management lacked sufficient oversight, and the biggest issue was the performance management and review which did not take place.

It does appear as-if there is a disconnect between the Integrated Development plan and Performance Targets, which we believe require greater alignment in order to achieve improved service delivery.

### **5. PERFORMANCE MANAGEMENT AND EVALUATION**

This function is defunct and requires contributions by all heads of departments and top down commitment from leadership in the municipality.

### **6. ADEQUACY AND RELIABILITY OF FINANCIAL REPORTING**

The municipality appointed a well qualified CFO during the year.

The municipality has also improved the reliability of financial reporting.

We wish to highlight the importance of retaining supporting evidence and records any transaction and the continued focus on key controls to ensure the validity accuracy and completeness of financial reporting.

## **7. COMPLIANCE WITH LEGISLATION**

Continued non compliance with various legislations has occurred during the year.

## **8. RESPONDING TO MATTERS RAISED IN THE AUDIT REPORT OF THE AUDITOR GENERAL**

N/A

## **9. REVIEW OF ANNUAL FINANCIAL STATEMENTS**

We are yet to inspect the draft financial statements for the year ended 30 June 2017 and can therefore not comment on this.

## **CONCLUSION**

Although the municipality has made great strides toward improved service delivery and accountability, there is still a lot of hard work, leadership and commitment required for the municipality to achieve the objectives of Batho Pele.

Of major concern is the fact that quarterly Performance Management and Review did not take place. This constitutes major Non Compliance with legislation by management.

The Audit Committee will increase its focus on advising the Municipality with regard to compliance with laws and regulations and Risk management going forward.

The Kouga audit committee would like to thank the management of the Kouga Local Municipality, the representatives of internal audit and the office of the auditor-general for the good working relationship and positive atmosphere within which our meetings are being conducted.

A handwritten signature in black ink, appearing to read 'J Blignaut', with a stylized flourish at the end.

**J Blignaut (CA(SA))**

Chairperson, Kouga Audit Committee

1 August 2017



**APPENDIX D (i): REVENUE BY VOTE**

Vote Description		Actual	
		2017	2016
		R	R
<b>REVENUE BY VOTE</b>			
Vote 1	Executive & Council	3 744	34 110
Vote 2	Finance	261 739 478	227 299 325
Vote 3	Administration, Monitoring and Evaluation	15 968	304 599
Vote 4	Led, Tourism & Creative Industries	-	1 522 946
Vote 5	Infrastructure, Planning & Development	349 545 558	374 306 706
Vote 6	Social Services	65 883 526	62 368 115
<b>Total Revenue by Vote</b>		<b>677 188 273</b>	<b>665 835 801</b>

**APPENDIX D (ii): REVENUE BY SOURCE**

Description	Actual	
	2017	2016
	R	R
<b>Revenue by Source</b>		
Property Rates	148 074 778	135 339 445
Service Charges	337 383 571	326 545 507
Rental of Facilities and Equipment	1 505 650	744 348
Interest Earned - External Investments	7 776 128	5 031 308
Interest Earned - Outstanding Debtors	8 144 334	3 306 788
Fines	10 551 532	9 798 101
Licences and Permits	6 877 409	6 065 570
Transfers Recognised - Operational	144 304 831	168 177 211
Public Contributions and Donations	4 000	118 424
Other Revenue	12 566 040	10 682 545
Gains on Disposal of PPE	-	26 553
<b>Total Revenue by Source</b>	<b>677 188 273</b>	<b>665 835 801</b>

**APPENDIX E: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG**

Name of Grant	Amount Received	Amount Spent
	<b>R</b>	<b>R</b>
FMG	2 425 000	2 425 000
DME	6 212 015	5 928 623
EPWP Incentive Grant	1 057 000	1 057 000
Department of Water Affairs - ACIP	1 931 618	1 931 618
Department of Human Settlement	7 439 664	1 827 891
<b>Total</b>	<b>19 065 297</b>	<b>13 170 132</b>

**APPENDIX F: CAPITAL EXPENDITURE- NEW & UPGRADE/  
RENEWAL PROGRAMMES: INCLUDING MIG 2016/17**

Project Name	Project Cost	Actual Expenditure As at 30 June 2017	Funding Source
Patensie Ramaphosa Replacement of Digesters with Waterborne Sanitation	R 24,188,155.00	R 6 218 243	MIG
Upgrade of Kruisfontein WWTW (2015-2017)	R 85,678,558.90	R 25 497 421	MIG

Description	Actual	
	2017	2016
	<b>R</b>	<b>R</b>
<b>CAPITAL EXPENDITURE PER FUNCTION</b>		
Executive and Council	21 901	53 367
Budget and Treasury Office	214 555	108 444
Corporate Services	196 528	200 124
Community and Social Services	464 506	1 374 251
Sport and Recreation	112 225	3 786 150
Public Safety	516 978	845 202
Housing	-	10 894
Planning and Development	506 034	500 528

Description	Actual	
	2017	2016
Environmental Protection	153 000	76 665
Electricity	8 595 795	7 668 037
Water	3 145 752	30 450 318
Waste Water Management	35 938 636	40 585 724
<b>Total Capital Expenditure</b>	<b>49 865 910</b>	<b>85 659 705</b>

#### APPENDIX F (i): CAPITAL PROGRAMME BY PROJECT CURRENT YEAR

Capital Project Description	Approved Budget 2017/18	Funding Source
Transformer	2 000 000	Own
Fencing of caravan parks & camping sites	80 000	Own
Fencing of existing cemeteries	500 000	Own
Fencing of testing track	200 000	Own
Fencing: Electrical Substations	350 000	Own
Fencing: Jeffreys Bay Waterworks	600 000	Own
Fencing: Kruisfontein Reservoir	400 000	Own
Fencing: New x Loerie Sewer pump station	300 000	Own
Humansdorp - Upgrade Kruisfontein Waste Water Treatment Works	15 225 785	MIG
Informal Traders - building	58 907	MIG
Jeffreys Bay- Northern Bulk main outfall sewer -area north of R102	800 000	Own
Mini-Sports field	2 492 496	MIG
Refurbish/Replace elevated steel water tower Upper Wavecrest	2 500 000	Own
Roads upgrade	1 150 000	Own
Testing Track	400 000	Own
Transfer station Patensie	300 000	Own
Upgrade Bulk Infrastructure Kruisfontein	4 000 000	INEP
Upgrade multi - purpose centre	150 000	Own
Upgrading of Sports Facilities	4 599 045	MIG
Upgrading of the St Francis Bay Wastewater Treatment Works	8 284 068	MIG

**APPENDIX F(ii): CAPITAL PROGRAMME BY PROJECT BY WARD**

Capital Project Description	Ward	Approved Budget 2017/18	Funding Source
Transformer	Whole Kouga	2 000 000	Own
Fencing of caravan parks & camping sites	Whole Kouga	80 000	Own
Fencing of existing cemeteries	Whole Kouga	500 000	Own
Fencing of testing track	Ward 15	200 000	Own
Fencing: Electrical Substations	Whole Kouga	350 000	Own
Fencing: Jeffreys Bay Waterworks	Ward 8	600 000	Own
Fencing: Kruisfontein Reservoir	Ward 5	400 000	Own
Fencing: New x Loerie Sewer pump station	Ward 7	300 000	Own
Humansdorp - Upgrade Kruisfontein Waste Water Treatment Works	Ward 4,5	15 225 785	MIG
Informal Traders - building	Whole Kouga	58 907	MIG
Jeffreys Bay- Northern Bulk main outfall Whole Kouga sewer -area north of R102	Ward 8	800 000	Own
Mini-Sports field	Ward 2	2 492 496	MIG
Refurbish/Replace elevated steel water tower Upper Wavecrest	Ward 8	2 500 000	Own
Roads upgrade	Ward 1	1 150 000	Own
Testing Track	Ward 15	400 000	Own
Transfer station Patensie	Ward 10	300 000	Own
Upgrade Bulk Infrastructure Kruisfontein	Ward 4,5	4 000 000	INEP
Upgrade multi - purpose centre	Ward 14	150 000	Own
Upgrading of Sports Facilities	Ward 13	4 599 045	MIG
Upgrading of the St Francis Bay Wastewater Treatment Works	Ward 1	8 284 068	MIG

## APPENDIX G: AUDIT ACTION PLAN

**VOLUME II: ANNUAL FINANCIAL STATEMENTS**

Refer to Attached Appendix

**2016/17 Audit Action Plan**

<b>Audit report paragraph reference</b>	<b>Issue</b>	<b>Audit Finding</b>	<b>Management Response</b>	<b>Responsible Person</b>	<b>Action</b>	<b>Monitoring and review</b>
	<b>EMPHASIS OF MATTERS:</b>					
7	Fruitless and wasteful expenditure	Fruitless and wasteful expenditure of R35,3 million (2016: R34,8 million) had accumulated over the last seven years and had not been recovered, written off or condoned, as disclosed in note 47.2 to the financial statements. Fruitless and wasteful expenditure of R0,5 million (2016: R0,8million) incurred during the current year is included in the amount disclosed.	The fruitless and wasteful expenditure incurred will be investigated and reported to MPAC for making recommendations to Council in this regard.	MM/MPAC	The fruitless and wasteful expenditure incurred will be reported to MPAC for further investigation and recommendations to Council in this regard.	30-Jun-18
8	Irregular expenditure	Irregular expenditure of R98,9 million (2016: R92,6 million) had accumulated over the last seven years and had not been recovered, written off or condoned, as disclosed in note 47.3 to the financial statements. Irregular expenditure of R6,3 million (2016: R2,4 million) incurred during the current year is included in the amount disclosed .	The irregular expenditure incurred will be investigated and reported to MPAC for making recommendations to Council in this regard.	MM/MPAC	The irregular expenditure incurred will be reported to MPAC for further investigation and recommendations to Council in this regard.	30-Jun-18
9	Unauthorised expenditure	Unauthorised expenditure of R81 million (2016: R369 million) had accumulated over the last five years and had not been recovered, written off or condoned, as disclosed in note 47.1 to the financial statements	The unauthorised expenditure of R81 million was approved by Council for write-off subsequent to the financial year end.	MM/MPAC	The unauthorised expenditure of R81 million was approved by Council for write-off subsequent to the financial year end.	Completed
10	Material losses	As disclosed in note 48,9 to the financial statements, material water losses to the amount of R21 million (2016: R20 million) were suffered, which represented 38.5% (2016: 39%) of the total water purchased. The losses were due to leakages, tampering with meters, incorrect ratios used for bulk meters, faulty meters and illegal water connections.	Water losses are not only as a result of faulty meters and illegal connections, but are also due deteriorating infrastructure causing water pipe leakages and pipe bursts.	Director: IPD	A quarterly progress report will be submitted to the IPD Portfolio Committee.	30 April 2018 and 31 July 2018
11	Restatement of corresponding figures	As disclosed in note 43 to the financial statements, the corresponding figures for 30 June 2016 have been restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2017.	The information has been provided for the end-users of the financial statements. No further action is required.	N/A	No further action required	N/A
	<b>DEVELOPMENT PRIORITY 2- LOCAL DEVELOPMENT</b>					
23	Usefulness	The strategic objectives reported below were not reported in the annual performance report. This is not in line with the requirements of section 41(c) of the MSA: To create an enabling environment for economic growth that attracts investors, encourages innovation and facilitates pro-poor inventions. To facilitate real opportunities for youth, women and people with disabilities.	Management agrees with the audit finding raised.	MM	This will be evaluated and updated after the approval of the 2017/18 Adjustments Budget.	31-Mar-18
24	Usefulness	The indicator was reported as number of jobs created through private public partnerships while the indicator was approved as number of jobs created through LED initiatives, inclusive of municipal capital projects in the service delivery agreement. This is not in line with the requirements of section 41 (c) of the Municipal Systems Act, 2000 (Act No. 32 of 2000).	Management agrees with the audit finding raised.	MM	This will be evaluated and updated after the approval of the 2017/18 Adjustments Budget.	31-Mar-18
25	Usefulness	The target was reported as 500 temporary jobs created through private public partnerships while the target was approved as 500 temporary Jobs created through LED initiatives, inclusive of municipal capital projects in the service delivery agreement. This is not in line with the requirements of section 41 (c) of the Municipal Systems Act, 2000 (Act No.32 of 2000).	Management agrees with the audit finding raised.	MM	This will be evaluated and updated after the approval of the 2017/18 Adjustments Budget.	31-Mar-18

Audit report paragraph reference	Issue	Audit Finding	Management Response	Responsible Person	Action	Monitoring and review
26	Reliability	The reported achievement for the targets listed below was misstated as evidence provided did not agree with the reported performance: Number of indicators rural residents and SMME's exposed to development programmes. Number of community members participating in arts/sports heritage training programs. Number of jobs created through private public partnerships.	Management agrees with the audit finding raised.	MM	This will be evaluated and updated after the approval of the 2017/18 Adjustments Budget.	31-Mar-18
	<b>DEVELOPMENT PRIORITY 5- PROVISION OF INFRASTRUCTURE AND BASIC SERVICE DELIVERY</b>					
27	Usefulness	The strategic objectives reported below were not reported in the annual performance report. This is not in line with the requirement of section 41 (c ) of the Municipal Systems Act, 2000 (No.32 of 2000) : To promote access for all citizens to equitable, appropriate and sustainable infrastructure and service within a safe environment. To ensure ecological integrity through sustainable practices of municipal governance	Management agrees with the audit finding raised.	MM	The relevant strategic objectives will be incorporated into the annual performance report.	31/08/2018
28	Reliability	The reported achievement for the following indicators and targets were misstated as the evidence provided did not agree to the reported performance: % of properties in formal residential areas provided with sanitation. % of properties in formal residential areas provided with electricity. Number of residents participated in HIV/AIDS programs presented by Kouga.	Management agrees with the audit finding raised.	MM	Reported performance will be verified independently by Internal Audit, to ensure accurate reported performance information.	quarterly
34	Annual Financial Statements	The financial statements submitted for auditing were not prepared, in all material respects, in accordance with the requirements of section 122 of the MFMA. Material misstatements in the cash flow statement identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.	Management submitted the Draft Annual Financial Statements on 31 August 2017 and a final set in November 2017. Changes were made to the initial draft set, as agreed with the Office of the Auditor-General.	CFO	The Annual Financial Statements Plan will be updated to ensure that sufficient time is allocated for the review of the Annual Financial Statements, prior to submission to the Auditor-General's Office.	30-Jun-18
35	Strategic planning and performance management	The performance management system and related controls were inadequate as it did not describe and represent the processes of performance planning, monitoring, measurement, review, reporting and improvement and how it is conducted, organised and managed, as required by section 38 of the Municipal Systems Act( MSA) and regulation 7 of the Municipal planning and performance management regulations.	Management agrees with the audit finding raised.	MM	The performance management system and related controls will be updated to ensure compliance with section 38 of the Municipal Systems Act.	30-Apr-18
36	Strategic planning and performance management	A mid-year performance assessment was not completely performed as required by section 72 (1)(a)(ii) of the MFMA.	Management agrees with the audit finding raised.	MM	The mid-year performance assessment will be submitted to Council on 25 January 2018.	25-Jan-18



Audit report paragraph reference	Issue	Audit Finding	Management Response	Responsible Person	Action	Monitoring and review
37	Human resource management and compensation	A senior manager did not sign a performance agreement within the prescribed period, as required by section 57(2)(a) of the MSA.	Management agrees with the audit finding raised.	MM	Measures will be implemented to ensure that Senior Managers sign performance agreements within the prescribed period.	Annually
38	Expenditure management	Reasonable steps were not taken to prevent irregular as well as fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.	Management agrees with the audit finding raised.	MM	The irregular and fruitless and wasteful expenditure incurred will be reported to MPAC for further investigation and recommendations to Council in this regard.	30-Jun-18
39	Expenditure management	Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.	Steps have been taken by management such as restructuring of long-term loans and payment of creditors within 30 days.	CFO/Manager: Expenditure	Regular follow-ups will be undertaken on outstanding invoices to ensure that creditors are paid on time. Regular follow-ups with Managers and Directors will also be undertaken, relating to outstanding invoices without supporting orders.	Ongoing
40	Procurement management	Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of supply chain management regulation 36(1).	Management agrees with the audit finding raised.	MM	The MM will ensure that he only approves deviations, in instances where it was impractical to invite competitive bids.	Ongoing
41	Consequence management	Irregular as well fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.	Management agrees with the audit finding raised.	MM	The MM will ensure that the required investigations are undertaken, relating to the irregular and fruitless and wasteful expenditure incurred.	Ongoing



**KOUGA**

local municipality

Good Governance through Service Excellence

# AUDITED ANNUAL FINANCIAL STATEMENTS 2016/2017



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## **GENERAL INFORMATION**

### **MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE AS AT 30 JUNE 2017**

E Van Lingen	Executive Mayor
D Petersen	Infrastructure, Planning and Development
B Dhludhlu	Local Economic Development
B Williams	Finance
N Botha	Administration, Monitoring, Evaluation and Special Projects
D Benson	Social Services
F Baxter	Tourism and Creative Industries

### **AUDITOR-GENERAL**

69 Frere Road, Vincent, East London, 5247  
Eastern Cape

### **BANKERS**

First National Bank  
Private Bag X5  
Jeffreys Bay, 6330

### **REGISTERED OFFICE**

33 Da Gama Road  
Jeffreys Bay

P O Box 21  
Jeffreys Bay  
6330

Tel: (042) 200 2200  
Fax: (042) 293 4204

Webpage: [www.kouga.gov.za](http://www.kouga.gov.za)  
E-mail: [registry@ec108.org.za](mailto:registry@ec108.org.za)

### **MUNICIPAL MANAGER**

Mr. C. du Plessis

### **CHIEF FINANCIAL OFFICER**

Mr. S Thys

## **GENERAL INFORMATION (continued)**

### **LEGAL FORM**

Category B Municipality which operates in accordance with Chapter 7 of the Constitution of South Africa.

The Objects of Local Government are:

- to provide democratic and accountable government for local communities;
- to ensure the provision of services to communities in a sustainable manner;
- to promote social and economic development;
- to promote a safe and healthy environment and
- to encourage the involvement of communities and community organisations in the matters of local government

The Municipality must strive, within its financial and administrative capacity, to achieve the objects as set out above.

### **JURISDICTION**

Greater Kouga area which includes:

Humansdorp  
St Francis Bay, Cape St Francis, Oyster Bay  
Hankey, Jeffreys Bay, Loerie  
Patensie, Thornhill

## MEMBERS OF THE KOUGA LOCAL MUNICIPALITY

WARD	COUNCILLOR	
1	Mayoni	Z
2	Meleni	T
3	Gertenbach	W
4	Campher	F
5	Petersen	D
6	Vumazonke	L
7	Februarie	C
8	Vorster	L
9	Jujwana	S
10	Mabukane	A
11	Bornman	H
12	Rheeder	B
13	Peters	M
14	Mandeka	S
15	Hendricks	H
Proportional	Biggs	D
Proportional	Camelio-Benjamin	V
Proportional	Carstens	A
Proportional	Dayimani	M
Proportional	Louw	F
Proportional	Matroos	C
Proportional	Nkomo	A
Proportional	Nkwalase	P
Proportional	Botha	N
Proportional	Dhludhlu	B
Proportional	Benson	D
Proportional	Petersen	D
Proportional	Williams	B
Proportional	Baxter	F
	Van Lingen	E

## APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, in accordance with Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister for Cooperative Governance and Traditional Affairs' determination in accordance with this Act.

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**Mr. C du Plessis**  
Municipal Manager

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**Date**

**KOUGA LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017**

		Actual	
	Note	2017 R	2016 Restated R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>174 240 342</b>	<b>166 406 095</b>
Inventories	2	4 952 364	5 433 903
Receivables from Exchange Transactions	3	42 558 781	48 615 571
Receivables from Non-exchange Transactions	4	30 901 952	29 119 413
VAT Receivable	5	11 288 813	4 381 953
Cash and Cash Equivalents	6	84 253 706	78 573 452
Operating Lease Receivables	7	281 727	278 803
Current Portion of Long-term Receivables	8	3 000	3 000
<b>Non-Current Assets</b>		<b>2 296 002 650</b>	<b>2 313 563 113</b>
Property, Plant and Equipment	9	2 010 676 430	2 028 049 683
Intangible Assets	10	62 225	146 585
Investment Property	11	285 199 244	285 199 244
Long-term Receivables	12	64 751	167 601
<b>Total Assets</b>		<b>2 470 242 993</b>	<b>2 479 969 209</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>179 777 118</b>	<b>194 052 166</b>
Consumer Deposits	13	10 273 091	9 590 330
Provisions	14	22 644 269	22 109 217
Payables from Exchange Transactions	15	115 326 930	130 621 914
Payables from Non-exchange Transactions	16	16 206 204	16 153 347
Unspent Conditional Grants and Receipts	17	6 726 723	7 841 525
Current Portion of Long-term Liabilities	19	8 599 901	7 735 833
<b>Non-Current Liabilities</b>		<b>187 477 006</b>	<b>187 431 393</b>
Long-term Liabilities	19	32 567 197	37 504 424
Employee Benefit Liabilities	20	92 444 000	91 046 000
Non-current Provisions	21	62 465 810	58 880 970
<b>Total Liabilities</b>		<b>367 254 124</b>	<b>381 483 560</b>
<b>Total Assets and Liabilities</b>		<b>2 102 988 869</b>	<b>2 098 485 649</b>
<b>NET ASSETS</b>		<b>2 102 988 868</b>	<b>2 098 485 648</b>
Accumulated Surplus / (Deficit)	22	2 102 988 868	2 098 485 648
<b>Total Net Assets</b>		<b>2 102 988 868</b>	<b>2 098 485 648</b>

**KOUGA LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**

		Actual	
	Note	2017	2016
		R	Restated R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>			
Property Rates	23	148 074 778	135 339 445
Fines	24	10 551 532	9 798 101
Licences and Permits	25	6 877 409	6 065 570
Government Grants and Subsidies Received	26	144 304 831	168 177 211
Public Contributions and Donations	27	4 000	118 424
<b>Revenue from Exchange Transactions</b>			
Service Charges	28	337 383 571	326 545 507
Rental of Facilities and Equipment	29	1 505 650	744 348
Interest Earned - External Investments	30	7 776 128	5 031 308
Interest Earned - Outstanding Debtors	30	8 144 334	3 306 788
Operational Revenue	31	12 566 040	10 682 545
Gains on Disposal of Property, Plant and Equipment	42	-	26 553
<b>Total Revenue</b>		<b>677 188 273</b>	<b>665 835 801</b>
<b>EXPENDITURE</b>			
Employee Related Costs	32	228 043 152	228 746 553
Remuneration of Councillors	33	11 101 213	10 513 662
Depreciation and Amortisation	34	71 047 034	63 847 326
Impairment Losses	35	24 779 495	22 593 439
Repairs and Maintenance	36	34 087 476	29 615 905
Finance Costs	37	15 490 893	9 127 512
Bulk Purchases	38	220 618 051	204 008 829
Contracted Services	39	13 293 251	10 799 341
Grants and Subsidies Paid	40	1 080 000	196 000
Operational Costs	41	51 086 065	39 909 115
Loss on Disposal of Property, Plant and Equipment	42	2 058 422	-
<b>Total Expenditure</b>		<b>672 685 052</b>	<b>619 357 681</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>4 503 220</b>	<b>46 478 120</b>
<b>Refer to Budget Statement for explanation of budget variances</b>			



**KOUGA LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017**

Description	Total for Accumulated Surplus/(Deficit) Account	Total
<b>2016</b>	<b>R</b>	<b>R</b>
Balance at 30 June 2015	2 386 776 416	2 386 776 416
Correction of Error (Note 43)	(334 768 888)	(334 768 888)
<b>Restated Balance at 30 June 2015</b>	<b>2 052 007 528</b>	<b>2 052 007 528</b>
Adjusted Surplus for the year (Note 43)	46 478 120	46 478 120
<b>Restated Balance at 30 June 2016</b>	<b>2 098 485 648</b>	<b>2 098 485 648</b>
<b>2017</b>		
Surplus for the year	4 503 220	4 503 220
<b>Balance at 30 June 2017</b>	<b>2 102 988 868</b>	<b>2 102 988 868</b>

Details on the movement of the Funds and Reserves are set out in Note 43.

**KOUGA LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017**

		Actual	
	Note	2017	2016
		R	Restated R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates	23	146 874 362	136 512 147
Government Grant and Subsidies	26	143 190 028	170 188 377
Public Contributions and Donations	27	4 000	118 424
Service Charges	28	332 108 911	315 082 919
Interest Received	30	12 426 187	7 098 634
Other Receipts	31	22 703 157	18 769 442
<b>Payments</b>			
Employee Related Costs	32	(225 559 444)	(220 948 435)
Remuneration of Councillors	33	(11 101 213)	(10 513 662)
Interest Paid	37	(5 870 158)	(2 671 253)
Suppliers Paid	38	(276 425 833)	(217 990 668)
Contracted Services	39	(13 293 251)	(10 799 341)
Grants and Subsidies Paid	40	(1 080 000)	(196 000)
Other Payments	41	(51 877 918)	(14 691 912)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>72 098 828</b>	<b>169 958 673</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	9	(52 124 626)	(109 546 971)
Purchase of Intangible Assets	10	-	(57 982)
Proceeds on Disposal of Property, Plant and Equipment	42	-	252 159
Decrease / (Increase) in Long-term Receivables	12	14 371	7 743
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(52 110 255)</b>	<b>(109 345 050)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of Borrowings		(14 308 318)	(21 722 349)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(14 308 318)</b>	<b>(21 722 349)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>5 680 254</b>	<b>38 891 273</b>
Cash and Cash Equivalents at Beginning of Period	5	78 573 452	39 682 179
Cash and Cash Equivalents at End of Period	6	84 253 706	78 573 452

**KOUGA LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017**

30 June 2017

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
<b>FINANCIAL POSITION</b>								
<b>Current Assets</b>								
Inventories	4 844 996	-	4 844 996	4 844 996	4 952 364	107 368	102,22	102,22
Receivables from Exchange Transactions	49 675 240	5 566 634	55 241 874	55 241 874	42 558 781	(12 683 093)	77,04	85,67
Receivables from Non-exchange Transactions	43 667 818	(19 018 467)	24 649 351	24 649 351	30 901 952	6 252 601	125,37	70,77
VAT Receivable	-	-	-	-	11 288 813	11 288 813	0,00	0,00
Cash and Cash Equivalents	29 044 947	39 203 848	68 248 795	68 248 795	84 253 706	16 004 911	123,45	290,08
Operating Lease Receivables	-	-	-	-	281 727	281 727	0,00	0,00
Current Portion of Long-term Receivables	8 207	-	8 207	8 207	3 000	(5 207)	36,56	36,56
<b>Non-Current Assets</b>								
Property, Plant and Equipment	2 649 006 198	5 316 718	2 654 322 915	2 654 322 915	2 010 676 430	(643 646 485)	75,75	75,90
Intangible Assets	100 970	-	100 970	100 970	62 225	(38 745)	61,63	61,63
Investment Property	63 704 539	-	63 704 539	63 704 539	285 199 244	221 494 706	447,69	447,69
Long-term Receivables	113 144	51 509	164 653	164 653	64 751	(99 902)	39,33	57,23
<b>Total Assets</b>	<b>2 840 166 058</b>	<b>31 120 242</b>	<b>2 871 286 300</b>	<b>2 871 286 300</b>	<b>2 470 242 993</b>	<b>(401 043 307)</b>	<b>86,03</b>	<b>86,98</b>
<b>Current Liabilities</b>								
Consumer Deposits	9 329 629	-	9 329 629	9 329 629	10 273 091	943 462	110,11	110,11
Provisions	29 995 284	-	29 995 284	29 995 284	22 644 269	(7 351 015)	75,49	75,49
Payables from Exchange Transactions	94 112 731	15 007 186	109 119 917	109 119 917	115 326 930	6 207 013	105,69	122,54
Payables from Non-exchange Transactions	-	-	-	-	16 206 204	16 206 204	0,00	0,00
Unspent Conditional Grants and Receipts	-	-	-	-	6 726 723	6 726 723	0,00	0,00
Current Portion of Long-term Liabilities	7 302 537	-	7 302 537	7 302 537	8 599 901	1 297 364	117,77	117,77
<b>Non-Current Liabilities</b>								
Long-term Liabilities	36 733 750	-	36 733 750	36 733 750	32 567 197	(4 166 553)	88,66	88,66
Retirement Benefit Liabilities	100 661 614	-	100 661 614	100 661 614	92 444 000	(8 217 615)	91,84	91,84
Non-current Provisions	-	-	-	-	62 465 810	62 465 810	0,00	0,00
<b>Total Liabilities</b>	<b>278 135 546</b>	<b>15 007 186</b>	<b>293 142 732</b>	<b>293 142 732</b>	<b>367 254 124</b>	<b>74 111 392</b>	<b>125,28</b>	<b>132,04</b>
<b>Total Assets and Liabilities</b>	<b>2 562 030 512</b>	<b>16 113 056</b>	<b>2 578 143 568</b>	<b>2 578 143 568</b>	<b>2 102 988 869</b>	<b>(475 154 699)</b>	<b>81,57</b>	<b>82,08</b>
<b>Net Assets (Equity)</b>								
Accumulated Surplus / (Deficit)	2 562 030 512	16 113 056	2 578 143 568	2 578 143 568	2 102 988 868	(475 154 700)	81,57	82,08
<b>Total Net Assets</b>	<b>2 562 030 512</b>	<b>16 113 056</b>	<b>2 578 143 568</b>	<b>2 578 143 568</b>	<b>2 102 988 868</b>	<b>(475 154 700)</b>	<b>81,57</b>	<b>82,08</b>

**Financial Position: Explanation of Variances between the Approved Budget and Actual**

Reasons for Variances greater than 10% between the Approved Budget and Actual Amounts on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:

Increase in Provision for Bad Debts, due to decline in recovery of Debtors, not budgeted for and restatement done in terms of GRAP 23.

Receivables from Non-exchange Transactions:

It has been under-budgeted for Assessment Rates Receivables.

VAT Receivable:

NT Budget Template not aligned to GRAP and does not provide for VAT Receivable.

Cash and Cash Equivalents:

Capital expenditure budgeted for, not realised.

Operating Lease Receivables:

NT Budget Template not aligned to GRAP and does not provide for Operating Lease Receivables.

Current Portion of Long-term Receivables:

It has been over-budgeted for Arrangement Debtors.

Property, Plant and Equipment:

It has been over-budgeted for new capital expenditure. Furthermore, some PPE assets reclassified to Investment Property.

Intangible Assets:

Capital expenditure budgeted for, did not realise.

Investment Property:

Property Plant and Equipment reclassified as Investment Property during the compilation of the Annual Financial Statements.

Long-term Receivables:

It was over-budgeted for Arrangement Debtors.

Provisions:

It was over-budgeted for Performance Bonuses, Post Retirement Medical Aid Benefit Liability and Long Service Liability.

Payables from Non-exchange Transactions:

NT Budget Template not aligned to GRAP and does not provide for Payables from Non-exchange Transactions - included in budget for Payables from Exchange Transactions.

Unspent Conditional Grants and Receipts:

It was budgeted for Conditional Grants and Receipts to be fully spent at year-end.

Current Portion of Long-term Liabilities:

Current Portion of Long-Term Liabilities include landfill provision liability not budgeted for.

Long-term Liabilities:

It was over-budgeted for Long-Term Liabilities.

Non-current Provisions:

No budget Provision was made for Rehabilitation of Landfill Sites, which were restated during the current financial year.

Accumulated Surplus / (Deficit):

It was over-budgeted for Accumulated Surplus.

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
<b>FINANCIAL PERFORMANCE</b>								
<b>Revenue from Non-exchange Transactions</b>								
Property Rates	148 563 488	107 773	148 671 261	148 671 261	148 074 778	(596 483)	99,60	99,67
Fines	3 085 695	373 682	3 459 377	3 459 377	10 551 532	7 092 155	305,01	341,95
Licences and Permits	9 086 136	(1 036 119)	8 050 017	8 050 017	6 877 409	(1 172 608)	85,43	75,69
Government Grants and Subsidies Received	100 681 408	322 300	101 003 708	101 003 708	106 925 949	5 922 240	105,86	106,20
Public Contributions and Donations	-	-	-	-	4 000	4 000	0.00	0.00
<b>Revenue from Exchange Transactions</b>								
Service Charges	356 823 910	(5 369 253)	351 454 658	351 454 658	337 383 571	(14 071 087)	96,00	94,55
Rental of Facilities and Equipment	590 630	609 734	1 200 364	1 200 364	1 505 650	305 286	125,43	254,92
Interest Earned - External Investments	3 000 000	3 787 662	6 787 662	6 787 662	7 776 128	988 466	114,56	259,20
Interest Earned - Outstanding Debtors	4 500 000	3 036 296	7 536 296	7 536 296	8 144 334	608 038	108,07	180,99
Operational Revenue	10 842 980	389 825	11 232 805	11 232 805	12 566 040	1 333 235	111,87	115,89
<b>Total Revenue</b>	<b>637 174 247</b>	<b>2 221 900</b>	<b>639 396 148</b>	<b>639 396 148</b>	<b>639 809 391</b>	<b>413 243</b>	<b>100,06</b>	<b>100,41</b>
<b>Expenditure</b>								
Employee Related Costs	233 201 498	(3 835 211)	229 366 288	229 366 288	228 043 152	(1 323 136)	99,42	97,79
Remuneration of Councillors	11 003 887	(86 578)	10 917 309	10 917 309	11 101 213	183 904	101,68	100,88
Depreciation and Amortisation	83 123 169	(1)	83 123 168	83 123 168	71 047 034	(12 076 134)	85,47	85,47
Impairment Losses	30 323 244	(315 689)	30 007 555	30 007 555	24 779 495	(5 228 060)	82,58	81,72
Repairs and Maintenance	35 999 395	(2 806 193)	33 193 202	33 193 202	34 087 476	894 275	102,69	94,69
Finance Costs	4 462 808	0	4 462 808	4 462 808	15 490 893	11 028 085	347,11	347,11
Bulk Purchases	207 393 791	14 481 492	221 875 282	221 875 282	220 618 051	(1 257 231)	99,43	106,38
Contracted Services	12 536 751	1 994 174	14 530 925	14 530 925	13 293 251	(1 237 674)	91,48	106,03
Grants and Subsidies Paid	580 000	500 000	1 080 000	1 080 000	1 080 000	-	100,00	186,21
Operational Costs	67 731 981	(748 999)	66 982 982	66 982 982	51 086 065	(15 896 916)	76,27	75,42
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	2 058 422	2 058 422	0.00	0.00
<b>Total Expenditure</b>	<b>686 356 523</b>	<b>9 182 995</b>	<b>695 539 518</b>	<b>695 539 518</b>	<b>672 685 052</b>	<b>(22 854 465)</b>	<b>96,71</b>	<b>98,01</b>
<b>Surplus/(Deficit)</b>	<b>(49 182 275)</b>	<b>(6 961 095)</b>	<b>(56 143 370)</b>	<b>(56 143 370)</b>	<b>(32 875 662)</b>	<b>23 267 708</b>	<b>0.00</b>	<b>0.00</b>
Transfers Recognised - Capital	38 383 347	-	38 383 347	38 383 347	37 378 882	(1 004 465)	97,38	97,38
<b>Surplus/(Deficit for the Year)</b>	<b>(10 798 928)</b>	<b>(6 961 095)</b>	<b>(17 760 023)</b>	<b>(17 760 023)</b>	<b>4 503 220</b>	<b>22 263 243</b>	<b>-</b>	<b>-</b>

**Financial Performance: Explanation of Variances between the Approved Budget and Actual**

Reasons for Variances greater than 10% between the Approved Budget and Actual Amounts on the various items disclosed in the Statement of Financial Performance are explained below:

**Fines:**

Fines mostly relate to traffic fines and arise from unanticipated traffic infringements

**Licences and Permits:**

Licences and Permits mostly relate to motor registration and is influenced by the extent of vehicle registrations.

**Public Contributions and Donations:**

Public Contributions and Donations relate to various donations made by public to the municipality and are mostly unanticipated.

**Rental of Facilities and Equipment:**

Rental of facilities and equipment relates to the rental of municipal buildings, community halls and other municipal facilities.

**Interest Earned - External Investments:**

Interest earnings are influenced by the extent of the municipality's investment portfolio.

**Operational Revenue:**

revenue.

**Depreciation and Amortisation:**

Depreciation and Amortisation is below budget due to reclassification of Property Plant and Equipment and Investment Property between owner occupied and leased properties. Furthermore, the depreciation for Infrastructure Assets and WIP was revised to reflect the carrying values as per Asset Register.

**Impairment Losses:**

It was over-budgeted for Impairment Losses on Receivables.

**Finance Costs:**

Interest and Penalties on late payments made were not budgeted for.

**Operational Costs:**

Operational Costs relate to the running costs of the municipality, such as printing and stationery, electricity and water consumption, telephone etc. These costs are influenced by the implementation of cost containment measures and budget related internal controls.

**Loss on Disposal of Property, Plant and Equipment:**

It was not budgeted for Loss on Disposal of Property, Plant and Equipment.

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE PER FUNCTION</b>								
Executive and Council	30 000	-	30 000	30 000	21 901	(8 099)	73,00	73,00
Financial Services	670 200	226 000	896 200	896 200	214 555	(681 645)	23,94	32,01
Administration, Monitoring and Evaluation	675 000	-	675 000	675 000	196 528	(478 472)	29,12	29,12
Led, Tourism and Creative Industries	1 470 485	(675 065)	795 420	795 420	497 856	(297 564)	62,59	33,86
Infrastructure, Planning and Development	39 581 407	10 927 238	50 508 645	50 508 645	47 688 360	(2 820 284)	94,42	120,48
Social Services	20 641 455	(5 161 455)	15 480 000	15 480 000	1 246 709	(14 233 291)	8,05	6,04
<b>Total Capital Expenditure</b>	<b>63 068 547</b>	<b>5 316 718</b>	<b>68 385 265</b>	<b>68 385 265</b>	<b>49 865 910</b>	<b>(18 519 355)</b>	<b>72,92</b>	<b>79,07</b>
<b>Capital Expenditure per Function: Explanation of Variances between the Approved Budget and Actual</b>								
Reasons for Variances greater than 10% between the Approved Budget and Actual Amounts on the various items for Capital Expenditure per Function are explained below:								
Executive and Council: The underspending on capital budget for Executive and Council was due to lack of planning and the budget had to be forfeited.								
Budget and Treasury Office: Project relates to the acquisition of light delivery vehicle, with budget rolled over to 2017/18 for implementation of the project. The budget rollover was approved by Council on 1 August 2017.								
Administration, Monitoring and Evaluation The underspending on capital budget for Administration, Monitoring and Evaluation was due to lack of planning and the budget had to be forfeited.								
Led, Tourism and Creative Industries Project relates to the renovations of Kouga Cultural Centre, with budget rolled over to 2017/18 for implementation of the project. The budget rollover was approved by Council on 31 August 2017.								
Social Services  Projects relate to the acquisition of two 21 m <sup>3</sup> refuse compactor trucks, two mesh trucks, tables and chairs, skip bins, and skip truck, with the budget rolled over to 2017/18 for implementation of the projects. The budget rollovers were approved by Council on 1 August 2017 and 31 August 2017, respectively.								

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
<b>CASH FLOW</b>								
<b>Cash Flows from/(used in) Operating Activities</b>								
Property Rates	139 649 679	101 307	139 750 986	139 750 986	146 874 362	7 123 376	105,10%	105,17
Grants	139 064 755	322 300	139 387 055	139 387 055	143 190 028	3 802 973	102,73%	102,97
Public Contributions and Donations	-	-	-	-	4 000	4 000	0,00%	0,00
Service Charges	335 414 476	(5 047 098)	330 367 378	330 367 378	332 108 911	1 741 533	100,53%	99,01
Interest Received	7 500 000	6 823 958	14 323 958	14 323 958	12 426 187	(1 897 771)	86,75%	165,68
Other Receipts	23 605 441	337 122	23 942 563	23 942 563	22 703 157	(1 239 406)	94,82%	96,18
Employee Related Costs	(233 201 498)	3 835 211	(229 366 288)	(229 366 288)	(225 559 444)	3 806 844	98,34%	0,00
Remuneration of Councillors	(11 003 887)	86 578	(10 917 309)	(10 917 309)	(11 101 213)	(183 904)	101,68%	0,00
Interest Paid	(4 462 808)	-	(4 462 808)	(4 462 808)	(5 870 158)	(1 407 350)	131,54%	0,00
Suppliers Paid	(336 778 668)	(15 414 647)	(352 193 315)	(352 193 315)	(276 425 833)	75 767 482	78,49%	0,00
Contracted Services	12 536 751	1 994 174	14 530 925	14 530 925	(13 293 251)	1 237 674	-91,48%	
Grants and Subsidies Paid	580 000	500 000	1 080 000	1 080 000	(1 080 000)	-	-100,00%	
Other Payments	(580 000)	(500 000)	(1 080 000)	(1 080 000)	(51 877 918)	(50 797 918)	4803,51%	0,00
VAT Receivable / Payable	-	-	-	-	-	-	0,00%	0,00
<b>Cash Flows from/(used in) Investing Activities</b>								
Purchase of Property, Plant and Equipment	(63 068 547)	(5 316 718)	(68 385 265)	(68 385 265)	(52 124 626)	16 260 638	76,22%	0,00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	14 371	14 371	0,00%	0,00
<b>Cash Flows from/(used in) Financing Activities</b>								
Loans repaid	(7 302 537)	-	(7 302 537)	(7 302 537)	(14 308 318)	(7 005 781)	195,94%	0,00
<b>Cash and Cash Equivalents at End of the Year</b>	<b>1 953 156</b>	<b>(12 277 813)</b>	<b>(10 324 657)</b>	<b>(10 324 657)</b>	<b>5 680 254</b>	<b>47 226 760</b>	<b>-55,02%</b>	<b>290,82</b>
<b>Cash Flow: Explanation of Variances between Approved Budget and Actual</b>								
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:								
Interest Received								
overdue amount.								
Other Receipts								
Not all Other Receipts were taken into consideration in the budgeted amount.								
Interest Paid								
It was not budgeted for Interest and Penalties on late payments made.								
Suppliers Paid								
Suppliers Paid include various payments to creditors, outstanding payables from prior year were not budgeted for.								
Other Payments								
Suppliers Paid include various payments to creditors, outstanding payables from prior year were not budgeted for.								
Vat Payable								
It was not budgeted for Vat payable.								
Purchase of Property, Plant and Equipment:								
Purchase of Property, Plant and Equipment is influenced by Infrastructure projects (WIP) from prior years, capitalised during the year.								
Loans repaid:								
It was over-budgeted for Long-Term Liabilities.								



## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

##### 1.1 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2016 and 30 June 2017 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

##### 1.2 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

#### Statements

##### 1.2.1 Revenue Recognition

Accounting Policy 11.2 on Revenue from Exchange Transactions and Accounting Policy 11.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

##### 1.2.2 Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 9.1 on Financial Assets Classification and Accounting Policy 9.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in GRAP 104 (*Financial Instruments*).

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1.2.3 Impairment of Financial Assets

Accounting Policy 9.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (Financial Instruments) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- **Impairment of Trade Receivables:**

The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

The total increase in estimation of the impairment of Receivables from Exchange Transactions, Receivables from Non-exchange Transactions and that of Long-term Receivables are disclosed in Notes 3, 4 and 12 to the Annual Financial Statements.

#### 1.2.4 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, 5.2 and 6.2, the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The assessment and considerations of useful lives are set out in Accounting Policy 8, Estimation of Useful Lives.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

#### 1.2.5 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventories

Accounting Policy 7 on Impairment of Assets, Accounting Policy 5.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment and Accounting Policy 10.2 on Inventory – Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (Impairment of Non-cash Generating Assets) and GRAP 26 (Impairment of Cash Generating Assets). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Inventory, Property, Plant and Equipment, Heritage Assets, Intangible Assets and Investment Property are disclosed in Notes 2, 9, 10 and 11 to the Annual Financial Statements, if applicable.

#### 1.2.6 Water Inventory

The estimation of the Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Accounting Policy 10.2.2 .

#### 1.2.7 Defined Benefit Plan Liabilities

As described in Accounting Policy 13.2, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

#### 1.2.8 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1.2.9 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

#### 1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

#### 1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

#### 1.5 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

#### 1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 20                      Related Party Disclosures
- GRAP 32                      Service Concession Arrangement Grantor
- GRAP 108                     Statutory Receivables
- GRAP 109                     Accounting by Principals and Agents

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- GRAP 20                      Related Party Disclosures

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

## 2. NET ASSETS

Included in the Net Assets of the municipality are the following Reserves that are maintained in terms of specific requirements:

#### 2.1 Accumulated Surplus

Included in the Accumulated Surplus of the municipality are the following Reserves that are maintained in terms of specific requirements:

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 2.1.1 Capital Replacement Reserve (CRR)

In order to finance the provision of Infrastructure and other items of Property, Plant and Equipment from internal sources, amounts are transferred from the Accumulated Surplus/(Deficit) to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.
- The CRR may only be utilised for the purpose of purchasing items of Property, Plant and Equipment and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the Accumulated Surplus/(Deficit) is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance and is then transferred, via the Statement of Changes in Net Assets, to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR as it is regarded as revenue.

#### 2.1.2 Capitalisation Reserve

On the implementation of GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of Property, Plant and Equipment were transferred to a Capitalisation Reserve rather than the Accumulated Surplus/(Deficit) in terms of a directive (Circular No 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of Property, Plant and Equipment are offset by transfers from this Reserve to the Accumulated Surplus/(Deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of Property, Plant and Equipment financed from the former legislated funds. When items of Property, Plant and Equipment are depreciated, a transfer is made from the Capitalisation Reserve to the Accumulated Surplus/(Deficit).

When an item of Property, Plant and Equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

#### 2.1.3 Donations and Public Contributions Reserve

When items of Property, Plant and Equipment are financed from public contributions and donations, a transfer is made from the Accumulated Surplus/(Deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from donations and public contributions.

When an item of Property, Plant and Equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

#### 2.1.4 Government Grants Reserve

When items of Property, Plant and Equipment are financed from government grants, a transfer is made from the Accumulated Surplus/(Deficit) to the Government Grants Reserve equal to the government grants recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Government Grants Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from government grants.

When an item of Property, Plant and Equipment financed from government grants is disposed, the balance in the Government Grants Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 3. PROPERTY, PLANT AND EQUIPMENT

##### 3.1 Initial Recognition

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Property, Plant and Equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Property, Plant and Equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as Property, Plant and Equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of Property, Plant and Equipment, they are accounted for as Property, Plant and Equipment.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance.

##### 3.2 Subsequent Measurement

Subsequent expenditure relating to Property, Plant and Equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

##### 3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	Asset Class	Years		Asset Class	Years
	<b>Buildings</b>			<b>Community</b>	
	Improvements	5 - 50		Community Facilities	5 - 50
				Recreational Facilities	10 - 40
	<b>Infrastructure</b>			<b>Other</b>	
	Electricity	10 - 80		Computer Equipment	3 - 10
	Railways	30		Emergency Equipment	5 - 10
	Roads and Paving	5 - 80		Furniture and Fittings	5 - 15
	Sanitation	5 - 80		Motor Vehicles	7 - 15
	Sewerage / Solid Waste	5 - 80		Office Equipment	3 - 15
	Water	5 - 80		Plant and Equipment	2 - 20
	Landfill Sites	30 - 50		Other Assets	5 - 15

The assets' residual values, estimated useful lives and depreciation methods are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Assets, including assets not yet available for use, are annually tested for impairment as described in Accounting Policy 7, Impairment of Assets, whilst estimates in useful lives are reviewed in accordance with Accounting Policy 8, Estimation of Useful Lives.

#### **3.4 Land**

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

#### **3.5 Infrastructure Assets**

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

#### **3.6 Incomplete Construction Work**

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

#### **3.7 Leased Assets**

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

#### **3.8 Derecognition**

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

### **4. HERITAGE ASSETS**

A Heritage Asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### **4.1 Initial Recognition**

The cost of an item of Heritage Assets is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage Assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Heritage Assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Heritage Assets acquired in exchange for a non-monetary asset or monetary asset, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance.

#### **4.2 Subsequent Measurement**

Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

#### **4.3 Derecognition**

The carrying amount of an item of Heritage Assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Heritage Assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

### **5. INTANGIBLE ASSETS**

#### **5.1 Initial Recognition**

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an Intangible Asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated Intangible Assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as Intangible Assets when the following criteria are fulfilled:

- (a) It is technically feasible to complete the Intangible Asset so that it will be available for use;
- (b) Management intends to complete the Intangible Asset and use or sell it;
- (c) There is an ability to use or sell the Intangible Asset;
- (d) It can be demonstrated how the Intangible Asset will generate probable future economic benefits;
- (e) Adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset are available; and
- (f) The expenditure attributable to the Intangible Asset during its development can be reliably measured.

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to bring the Intangible Asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an Intangible Asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance.

#### 5.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 31, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Computer Software Purchased	3 - 5			

The assets' residual values, estimated useful lives and amortisation methods are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Assets, including assets not yet available for use, are annually tested for impairment as described in Accounting Policy 7, Impairment of Assets, whilst estimates in useful lives are reviewed in accordance with Accounting Policy 8, Estimation of Useful Lives.

#### 5.3 Derecognition

Intangible Assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an Intangible Asset is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

## 6. INVESTMENT PROPERTY

### 6.1 Initial Recognition

Investment Property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.



## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

At initial recognition, the municipality measures Investment Property at cost including transaction costs once it meets the definition of Investment Property. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed Investment Property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish Investment Properties from owner occupied property or property held for resale:

- (a) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- (b) Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
- (c) A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- (d) A property owned by the municipality and leased out at a below market rental; and
- (e) Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

- (a) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- (b) Property being constructed or developed on behalf of third parties;
- (c) Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- (d) Property that is leased to another entity under a finance lease;
- (e) Property held to provide goods and services and also generates cash inflows; and
- (f) Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (MSCoA).

#### 6.2 Subsequent Measurement

Investment Property is measured using the *Cost Model* and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the *Straight-line Method* over the useful life of the property, which is estimated at 5 - 50 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 6.3 Derecognition

An Investment Property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the Investment Property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

## 7. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

## **KOUGA LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

#### **7.1 Impairment of Cash Generating Assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

#### **7.2 Impairment of Non-cash Generating Assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

#### 8. ESTIMATION OF USEFUL LIVES

The municipality depreciates its assets over their estimated useful lives.

The useful life of an asset is defined as:

- The period over which an asset is expected to be available for use by an municipality; or
- The number of production or similar units expected to be obtained from the asset by the municipality.

The municipality assesses at each reporting date whether there is any indication that the useful life of an asset has changed. If any such indication exists, the useful life is changed.

Any change in the useful life is accounted for as Change in Estimate in accordance with GRAP 3 (Accounting Policies, Change in Accounting Estimates and Errors).

Annually the municipality considers whether there is any indication that the initial useful lives of assets need to be revised. The municipality considers the following during the assessment of its assets' useful lives. Whether:

- (a) The composition of the asset has changed.
- (b) The use of the asset has changed because of the following:
  - (i) The municipality has changed the manner in which the asset is used;
  - (ii) The municipality has changed the utilisation rate of the asset;
  - (iii) The municipality has made the decision to dispose of the asset during a future reporting period which results in a change in the useful life of the asset;
  - (iv) Technological, environmental or commercial changes occurred during the reporting period that will change the use of the asset; and
  - (v) The asset was idle or retired during the current reporting period.
- (c) The asset is approaching its previously expected useful life.
- (d) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period.
- (e) The asset is assessed as being impaired in accordance with the Accounting Policy 7.1 and 7.2 on Impairment of Assets.

A decrease in the estimated useful life of an asset is accounted for as an impairment in the Statement of Financial Performance.

The impairment of an asset is accounted for in accordance with Accounting policy 7.1 and 7.2 on Impairment of Assets.

The estimation of the useful lives of the municipality's assets is a matter of judgement based on the experience of the municipality with similar assets. The municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors.

#### 9. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

##### Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### **Amortised Cost**

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the Effective Interest Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

#### **9.1 Financial Assets – Classification**

A Financial Asset is any asset that is a cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- **Financial Assets measured at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.
  
- **Financial Assets measured at Fair Value** are financial assets that meet either of the following conditions:
  - (i) Derivatives;
  - (ii) Combined instruments that are designated at fair value;
  - (iii) Instruments held for trading;
  - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
  - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.
  
- **Financial Assets measured at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Amortised Cost.

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 9.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Bank Overdraft	Financial Liabilities at Amortised Cost
Short-term Loans	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

**Financial Liabilities that are measured at Fair Value** are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

#### 9.3 Initial and Subsequent Measurement

##### 9.3.1 Financial Assets:

###### Financial Assets measured at Amortised Cost

*Financial Assets at Amortised Cost* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

*Trade and Other Receivables* (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

###### Financial Assets measured at Fair Value

*Financial Assets at Fair Value* are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

##### 9.3.2 Financial Liabilities:

###### Financial Liabilities measured at Fair Value

*Financial Liabilities at Fair Value* are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

###### Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

#### 9.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

##### 9.4.1 Financial Assets at Amortised Cost

Accounts Receivable encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Initially Accounts Receivable are valued at fair value excluding transaction costs, and subsequently carried at amortised cost using the *Effective Interest Rate Method*. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

#### 9.4.2 Financial Assets at Cost

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

#### 9.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

#### 9.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

## 10. INVENTORIES

### 10.1 Initial Recognition

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 10.2 Subsequent Measurement

##### 10.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and current replacement cost (the cost the municipality would incur to acquire the asset on the reporting date). The cost is determined using the *Weighted average cost* of commodities.

Inventories distributed through a non-exchange transaction and those consumed in the production process of goods to be distributed at no or nominal cost are subsequently measured at the lower of cost and current replacement cost.

##### 10.2.2 Water Inventory

Water is regarded as Inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the *FIFO Method*, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

##### 10.2.3 Unsold Properties

Unsold properties are valued at the lower of cost and net realisable value on a *Weighted Average Cost Basis*. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

##### 10.2.4 Other Arrangements

Redundant and slow-moving Inventories identified are written down from cost to current replacement cost, if applicable.

Inventories identified to be sold by public auction are written down from cost to net realisable value with regard to their estimated economic or realisable values. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Differences arising on the measurement of such Inventory at the lower of cost and current replacement cost or net realisable value, are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in current replacement cost or net realisable value is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

## 11. REVENUE RECOGNITION

### 11.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

*Revenue from Exchange Transactions* refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

*Revenue from Non-exchange Transactions* refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

#### **11.2 Revenue from Exchange Transactions**

##### **11.2.1 Service Charges**

Service Charges are levied in terms of approved tariffs.

Service Charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

##### **11.2.2 Prepaid Electricity**

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

##### **11.2.3 Rentals Received**

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

##### **11.2.4 Finance Income**

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

##### **11.2.5 Tariff Charges**

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

##### **11.2.6 Revenue from Agency Services**

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

##### **11.2.7 Sale of Goods (including Houses)**

Revenue from the sale of goods is recognised when all the following conditions have been met:

- (a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.



## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 11.3 Revenue from Non-exchange Transactions

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

##### 11.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a *Time-proportionate Basis* with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

##### 11.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable, considering the allowance in terms of IGRAP 1 to use estimates to determine the amount of revenue that the municipality is entitled to collect.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not made at the time of initial recognition.

##### 11.3.3 Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

##### 11.3.4 Government Grants and Receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 11.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

## 12. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

#### 12.1 Provision for Environmental Rehabilitation

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

## 13. EMPLOYEE BENEFIT LIABILITIES

#### 13.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

#### 13.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

##### 13.2.1 Defined Contribution Plans

A **Defined Contribution Plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### 13.2.2 Defined Benefit Plans

A **Defined Benefit Plan** is a post-employment benefit plan other than a defined contribution plan.

##### Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

##### Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The *Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

##### Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the *Projected Unit Credit Method* basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

##### Defined Benefit Pension Plans

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

## 14. LEASES

### 14.1 Classification

Leases are classified as **Finance Leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 14.2 The Municipality as Lessee

##### 14.2.1 Finance Leases

Where the municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset, plus any direct costs incurred. Lease payments are allocated between the finance cost and the capital repayment using the *Effective Interest Rate Method*. Finance costs are expensed when incurred.

##### 14.2.2 Operating Leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a *Straight-line Basis*, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### 14.3 The Municipality as Lessor

Amounts due from lessees under **Finance Leases** or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from **Operating Leases** is recognised on a *Straight-line Basis* over the term of the relevant lease.

### 15. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- (a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- (b) Expect to be repaid in future; or
- (c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

### 16. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

### 17. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 18. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 19. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 20. MATERIAL LOSSES

The MFMA requires the disclosure of material losses incurred during the year under review. The disclosure is provided in order to comply to the legislative requirements governing Municipalities.

Due to their significance, the complete calculation of water and electricity losses is provided, including the opening balance, purchases, sales and closing balance where applicable. The unit rate is the rate per the last purchase as inventory is measured based on the *First-In-First-Out Method* as defined by GRAP 12 (*Inventories*).

#### 21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

**Changes in Accounting Policies** that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

**Changes in Accounting Estimates** are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

**Correction of Errors** is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

#### 22. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

#### 23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

**Contingent Liabilities** represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

**Contingent Assets** represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

## KOUGA LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 24. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

#### 25. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

#### 26. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

#### 27. COMPARATIVE INFORMATION

##### *27.1 Current Year Comparatives*

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

##### *27.2 Prior Year Comparatives*

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

##### *27.3 Budget Information*

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2016 to 30 June 2017.

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**                      **2016**  
**R**                              **R**

**1. GENERAL INFORMATION**

Kouga Municipality is a local government institution in Jeffrey's Bay, Eastern Cape, and is one of seven local municipalities under the jurisdiction of the Sarah Baartman District Municipality. The address of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

**2. INVENTORIES**

Consumable Stores	4 564 953	5 071 064
Water	429 688	382 425
Less Provision for obsolete stock	(42 278)	(19 587)
<b>Total Inventories</b>	<b>4 952 364</b>	<b>5 433 903</b>

Inventories are held for own use and measured at the lower of Cost and net realisable value (net amount that the municipality expects to realise from the sale of Inventory in the ordinary course of business). No write downs of Inventory to Net Realisable Value were required.

**Water Inventory**

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

No Inventories have been pledged as collateral for Liabilities of the municipality.

**3. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2017</b>			
Service Debtors:	99 863 814	72 653 101	27 210 713
Electricity	28 710 600	10 170 542	18 540 058
Refuse	18 214 918	17 660 705	554 213
Sewerage	16 320 975	14 148 549	2 172 425
Water	36 617 321	30 673 305	5 944 016
Other Receivables	24 670 075	9 322 007	15 348 068
<b>Total Receivables from Exchange Transactions</b>	<b>124 533 889</b>	<b>81 975 109</b>	<b>42 558 781</b>

	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2016</b>			
Service Debtors:	97 962 876	63 942 439	34 020 437
Electricity	34 093 546	9 381 519	24 712 027
Refuse	16 386 447	15 362 768	1 023 679
Sewerage	14 712 310	12 171 368	2 540 942
Water	32 770 575	27 026 785	5 743 790
Other Receivables	23 581 396	8 986 262	14 595 134
<b>Total Receivables from Exchange Transactions</b>	<b>121 544 273</b>	<b>72 928 701</b>	<b>48 615 571</b>

The municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2017, the municipality was owed R1 778 475 (30 June 2016: R1 440 016) by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017  
R                      2016  
R

**3.1 Ageing of Receivables from Exchange Transactions**

**As at 30 June 2017**

	Current 0 - 30 days	Past Due 31 - 60 Days    61 - 90 Days    + 90 Days			Total
<b>Electricity:</b>					
Gross Balances	15 378 666	2 109 615	1 037 225	10 185 093	28 710 600
Less: Provision for Impairment					10 170 542
<b>Net Balances</b>	<b>15 378 666</b>	<b>2 109 615</b>	<b>1 037 225</b>	<b>10 185 093</b>	<b>18 540 058</b>
<b>Refuse:</b>					
Gross Balances	2 204 071	600 932	443 941	14 965 974	18 214 918
Less: Provision for Impairment					17 660 705
<b>Net Balances</b>	<b>2 204 071</b>	<b>600 932</b>	<b>443 941</b>	<b>14 965 974</b>	<b>554 213</b>
<b>Sewerage:</b>					
Gross Balances	2 733 774	739 630	540 450	12 307 122	16 320 975
Less: Provision for Impairment					14 148 549
<b>Net Balances</b>	<b>2 733 774</b>	<b>739 630</b>	<b>540 450</b>	<b>12 307 122</b>	<b>2 172 425</b>
<b>Water:</b>					
Gross Balances	8 003 476	1 227 251	1 035 371	26 351 223	36 617 321
Less: Provision for Impairment					30 673 305
<b>Net Balances</b>	<b>8 003 476</b>	<b>1 227 251</b>	<b>1 035 371</b>	<b>26 351 223</b>	<b>5 944 016</b>
<b>Other Receivables:</b>					
Gross Balances	14 834 708	316 419	200 104	9 318 876	24 670 075
Less: Provision for Impairment					9 322 007
<b>Net Balances</b>	<b>14 834 708</b>	<b>316 419</b>	<b>200 104</b>	<b>9 318 876</b>	<b>15 348 068</b>

As at 30 June 2017 Receivables of R42 558 780 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current 0 - 30 days	Past Due 31 - 60 Days    61 - 90 Days    + 90 Days			Total
<b>All Receivables:</b>					
Gross Balances	43 154 695	4 993 847	3 257 090	43 154 664	124 533 889
Less: Provision for Impairment	-	-	-	-	81 975 109
<b>Net Balances</b>	<b>43 154 695</b>	<b>4 993 847</b>	<b>3 257 090</b>	<b>43 154 664</b>	<b>42 558 780</b>

**As at 30 June 2016**

	Current 0 - 30 days	Past Due 31 - 60 Days    61 - 90 Days    + 90 Days			Total
<b>Electricity:</b>					
Gross Balances	23 628 295	932 175	588 239	8 944 836	34 093 546
Less: Provision for Impairment					9 381 519
<b>Net Balances</b>	<b>23 628 295</b>	<b>932 175</b>	<b>588 239</b>	<b>8 944 836</b>	<b>24 712 027</b>
<b>Refuse:</b>					
Gross Balances	2 636 726	421 381	352 203	12 976 137	16 386 447
Less: Provision for Impairment					15 362 768
<b>Net Balances</b>	<b>2 636 726</b>	<b>421 381</b>	<b>352 203</b>	<b>12 976 137</b>	<b>1 023 679</b>
<b>Sewerage:</b>					
Gross Balances	3 495 163	474 126	347 982	10 395 038	14 712 310
Less: Provision for Impairment					12 171 368
<b>Net Balances</b>	<b>3 495 163</b>	<b>474 126</b>	<b>347 982</b>	<b>10 395 038</b>	<b>2 540 942</b>



**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

			2017 R	2016 R
<b>Water:</b>				
Gross Balances	8 106 526	888 165	707 312	23 068 572
Less: Provision for Impairment				32 770 575
				27 026 785
<b>Net Balances</b>	<b>8 106 526</b>	<b>888 165</b>	<b>707 312</b>	<b>5 743 790</b>

<b>Other Receivables:</b>				
Gross Balances	14 745 723	214 252	238 636	8 382 785
Less: Provision for Impairment				23 581 395
				8 986 262
<b>Net Balances</b>	<b>14 745 723</b>	<b>214 252</b>	<b>238 636</b>	<b>14 595 133</b>

As at 30 June 2016 Receivables of R48 615 571 were past due but not impaired. The age analysis of these Receivables are as follows:

Current	Past Due			Total
0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	

<b>All Receivables:</b>				
Gross Balances	52 612 432	2 930 100	2 234 372	63 767 368
Less: Provision for Impairment	-	-	-	-
				121 544 272
				72 928 701
<b>Net Balances</b>	<b>52 612 432</b>	<b>2 930 100</b>	<b>2 234 372</b>	<b>48 615 571</b>

**3.2 Summary of Receivables from Exchange Transactions by Customer Classification**

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2017</b>				
<u>Current:</u>				
0 - 30 days	25 125 126	5 520 878	401 150	346 459
<u>Past Due:</u>				
31 - 60 Days	4 536 466	743 745	304 836	56 741
61 - 90 Days	3 005 555	331 354	350 968	23 524
+ 90 Days	68 935 058	3 073 518	721 522	11 056 990
Sub-total	101 602 205	9 669 496	1 778 475	11 483 713
Less: Provision for Impairment	72 738 522	3 404 872	-	5 831 715
<b>Total Trade Receivables by Customer Classification</b>	<b>28 863 683</b>	<b>6 264 624</b>	<b>1 778 475</b>	<b>5 651 998</b>

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2016</b>				
<u>Current:</u>				
0 - 30 days	34 560 478	6 592 976	779 643	1 028 879
<u>Past Due:</u>				
31 - 60 Days	2 691 982	418 017	147 539	82 776
61 - 90 Days	2 033 558	293 689	77 025	142 911
+ 90 Days	58 230 328	2 663 541	435 809	11 365 122
Sub-total	97 516 346	9 968 224	1 440 016	12 619 688
Less: Provision for Impairment	62 023 150	2 957 230	-	7 948 322
<b>Total Trade Receivables by Customer Classification</b>	<b>35 493 196</b>	<b>7 010 993</b>	<b>1 440 016</b>	<b>4 671 366</b>

	2017 R	2016 R
<b>3.3 Reconciliation of the Provision for Impairment</b>		
Balance at beginning of year	72 928 701	65 597 507
Impairment Losses recognised	15 171 963	8 908 163
Amounts written off as uncollectable	(6 125 555)	(1 576 969)
<b>Balance at end of year</b>	<b>81 975 109</b>	<b>72 928 701</b>

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017  
R

2016  
R

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

**3.4 Derecognition of Financial Assets**

No Financial Assets have been transferred to other parties during the year.

**4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2017</b>			
Assessment Rates Debtors	35 163 570	17 589 394	17 574 176
Staff Debtors	(4 898)	-	(4 898)
Sundry Debtors	25 003 940	11 672 617	13 331 323
Other Control Accounts	1 350	-	1 350
<b>Total Receivables from Non-exchange Transactions</b>	<b>60 163 963</b>	<b>29 262 011</b>	<b>30 901 952</b>
	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2016</b>			
Assessment Rates Debtors	35 572 295	18 527 749	17 044 546
Staff Debtors	30 830	-	30 830
Sundry Debtors	19 054 142	7 011 455	12 042 687
Other Control Accounts	1 350	-	1 350
<b>Total Receivables from Non-exchange Transactions</b>	<b>54 658 617</b>	<b>25 539 204</b>	<b>29 119 413</b>

**Sundry Debtors** are in respect of balances outstanding at year-end on normal business transactions entered into by the municipality.

**4.1 Ageing of Receivables from Non-exchange Transactions**

**As at 30 June 2017**

	Current 0 - 30 days	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days		
<b>Assessment Rates:</b>					
Gross Balances	6 261 777	1 241 192	742 313	26 918 289	35 163 570
Less: Provision for Impairment	3 132 235	620 863	371 316	13 464 981	17 589 394
<b>Net Balances</b>	<b>3 129 542</b>	<b>620 329</b>	<b>370 997</b>	<b>13 453 403</b>	<b>17 574 176</b>
<b>Sundry Deposits:</b>					
Gross Balances	(4 898)	-	-	-	(4 898)
<b>Net Balances</b>	<b>(4 898)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4 898)</b>

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

				2017 R	2016 R
<b>Sundry Debtors:</b>					
Gross Balances	25 003 940	-	-	-	25 003 940
	11672617				11 672 617
<b>Net Balances</b>	<b>13 331 323</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13 331 323</b>

<b>Other Control Accounts:</b>					
Gross Balances	1 350	-	-	-	1 350
<b>Net Balances</b>	<b>1 350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 350</b>

As at 30 June 2017 Receivables of R14 444 634 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>				
Gross Balances	1 241 192	742 313	26 918 289	28 901 793
Less: Provision for Impairment	620 863	371 316	13 464 981	14 457 159
<b>Net Balances</b>	<b>620 329</b>	<b>370 997</b>	<b>13 453 308</b>	<b>14 444 634</b>

As at 30 June 2016

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Assessment Rates:</b>					
Gross Balances	5 422 743	1 693 521	622 226	27 833 805	35 572 295
Less: Provision for Impairment					18 527 749
<b>Net Balances</b>	<b>5 422 743</b>	<b>1 693 521</b>	<b>622 226</b>	<b>27 833 805</b>	<b>17 044 546</b>

<b>Sundry Deposits:</b>					
Gross Balances	30 830	-	-	-	30 830
<b>Net Balances</b>	<b>30 830</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30 830</b>

<b>Sundry Debtors:</b>					
Gross Balances	19 054 142	-	-	-	19 054 142
Less: Provision for Impairment	7 011 455	-	-	-	7 011 455
<b>Net Balances</b>	<b>12 042 687</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12 042 687</b>

<b>Suspense Accounts:</b>					
Gross Balances	1 350	-	-	-	1 350
<b>Net Balances</b>	<b>1 350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 350</b>

As at 30 June 2016 Receivables of R30 149 552 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>				
Gross Balances	1 693 521	622 226	27 833 805	30 149 552
				18 527 749
<b>Net Balances</b>	<b>1 693 521</b>	<b>622 226</b>	<b>27 833 805</b>	<b>30 149 552</b>

**4.2 Summary of Assessment Rates Debtors by Customer Classification**

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2017</b>				
<u>Current:</u>				
0 - 30 days	5 694 352	550 023	371	16 936
<u>Past Due:</u>				
31 - 60 Days	1 150 005	84 848	371	5 968
61 - 90 Days	679 169	57 779	371	4 995
+ 90 Days	4 952 442	473 900	1 249 889	20 242 153
Sub-total	12 475 968	1 166 549	1 251 000	20 270 053
Less: Provision for Impairment	6 853 091	531 679	-	10 204 625
<b>Total Rates Debtors by Customer Classification</b>	<b>5 622 877</b>	<b>634 871</b>	<b>1 251 000</b>	<b>10 065 428</b>

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

			2017 R	2016 R
	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2016</b>				
<i>Current:</i>				
0 - 30 days	6 629 721	637 054	156 123	684 064
<i>Past Due:</i>				
31 - 60 Days	616 134	56 952	334	36 086
61 - 90 Days	426 258	37 262	334	29 441
+ 90 Days	4 357 755	790 724	1 102 812	20 013 242
Sub-total	12 029 868	1 521 992	1 259 603	20 762 833
Less: Provision for Impairment	4 933 404	827 987	-	12 768 359
<b>Total Rates Debtors by Customer Classification</b>	<b>7 096 464</b>	<b>694 005</b>	<b>1 259 603</b>	<b>7 994 474</b>
			2017 R	2016 R

**4.3 Reconciliation of Provision for Impairment**

Balance at beginning of year	25 539 204	17 217 959
Impairment Losses recognised	8 551 877	13 685 277
Amounts written off as uncollectable	(4 829 070)	(5 364 031)
<b>Balance at end of year</b>	<b>29 262 011</b>	<b>25 539 205</b>

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

**5. VAT RECEIVABLE**

Vat Receivable	<b>11 288 813</b>	<b>4 381 953</b>
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Vat is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

**6. CASH AND CASH EQUIVALENTS**

Current Investments	78 566 856	75 798 167
Bank Accounts	5 694 930	2 783 364
Cash and Cash Equivalents	(8 079)	(8 079)
<b>Total Bank, Cash and Cash Equivalents</b>	<b>84 253 706</b>	<b>78 573 452</b>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments..

**6.1 Current Investment Deposits**

Call Deposits	78 566 856	75 798 167
<b>Total Current Investment Deposits</b>	<b>78 566 856</b>	<b>75 798 167</b>

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>Call Deposits</b> are investments with a maturity period of less than 3 months and earn interest at rates varying from 6,25 % to 6,85 % (2016: 5,25% to 6,85%) per annum.		
Deposits attributable to General Investments	71 159 248	68 767 655
Deposits attributable to Unspent Conditional Grants	7 407 608	7 030 512
<b>Total Deposits attributable to Commitments of the Municipality</b>	<b>78 566 856</b>	<b>75 798 167</b>

**6.2 Bank Accounts**

Cash in Bank	5 694 930	2 783 364
<b>Total Bank Accounts</b>	<b>5 694 930</b>	<b>2 783 364</b>

The Municipality has the following bank accounts:

**Primary Bank Account**

Cash book balance at beginning of year	2 783 364	2 903 276
Cash book balance at end of year	5 694 930	2 783 364

*First National Bank - Jeffreys bay Branch-Account Number: 52540020791*

Bank statement balance at beginning of year	2 037 926	945 422
Bank statement balance at end of year	783 359	2 037 926

*First National Bank - Jeffreys bay Branch-Account Number: 52540033304*

Bank statement balance at beginning of year	525 179	1 544 947
Bank statement balance at end of year	4 648 585	525 179

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

**6.3 Cash and Cash Equivalents**

Cash Floats and Advances	(8 079)	(8 079)
<b>Total Cash on hand in Cash Floats, Advances and Equivalents</b>	<b>(8 079)</b>	<b>(8 079)</b>

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

**7. OPERATING LEASE RECEIVABLES**

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	278 803	249 227
Operating Lease Revenue recorded	2 924	29 576
<b>Total Operating Lease Receivables</b>	<b>281 727</b>	<b>278 803</b>

**7.1 Leasing Arrangements**

**The Municipality as Lessor:**

Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 99 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

**7.2 Amounts receivable under Operating Leases**

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	472 278	459 174
2 to 5 years	1 716 525	1 656 288
More than 5 years	238 334	654 479
<b>Total Operating Lease Arrangements</b>	<b>2 427 136</b>	<b>2 769 940</b>

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase of R2 924 (2016: increase of R29 576) in current year income.

**8. CURRENT PORTION OF LONG-TERM RECEIVABLES**

Other Loans	3 000	3 000
<b>Total Current Portion of Long-term Receivables</b>	<b>3 000</b>	<b>3 000</b>

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**9 PROPERTY, PLANT AND EQUIPMENT**

30 June 2017

**Reconciliation of Carrying Value**

Description	Land and Buildings	Infra-structure	Other	Leased Assets	Total
	R	R	R	R	R
<b>Carrying values at 01 July 2016</b>	<b>315 374 427</b>	<b>1 688 931 026</b>	<b>21 375 101</b>	<b>2 369 128</b>	<b>2 028 049 683</b>
Cost	329 516 685	2 091 088 382	68 018 909	10 266 721	2 498 890 697
- Completed Assets	329 516 685	1 963 799 419	68 018 909	10 266 721	2 371 601 735
- Under Construction	-	127 288 963	-	-	127 288 963
Accumulated Depreciation:	(14 142 258)	(402 157 356)	(46 643 808)	(7 897 593)	(470 841 015)
- Cost	(14 142 258)	(402 157 356)	(46 643 808)	(7 897 593)	(470 841 015)
Additions	3 121 147	94 911 419	2 089 742	4 490 394	104 612 702
- Completed assets	(444 183)	-	2 089 742	4 490 394	6 135 952
- Transferred in capital under construction	3 565 330	94 911 419	-	-	98 476 749
Depreciation:	(6 613 458)	(58 016 256)	(4 749 227)	(1 625 707)	(71 004 648)
- Based on Cost	(6 613 458)	(58 016 256)	(4 749 227)	(1 625 707)	(71 004 648)
Impairment Losses	-	-	(967 177)	-	(967 177)
Carrying value of Disposals:	-	(34 254)	(1 352 206)	(629 989)	(2 016 448)
- Cost	-	(56 726)	(9 100 241)	(6 721 919)	(15 878 886)
- Accumulated Depreciation	-	22 472	7 748 035	6 091 931	13 862 438
- Based on Cost	-	22 472	7 748 035	6 091 931	13 862 438
Capital under Construction - Completed	-	(47 997 682)	-	-	(47 997 682)
- Additions	3 565 330	46 913 737	-	-	50 479 067
- Completed and transferred out	(3 565 330)	(94 911 419)	-	-	(98 476 749)
<b>Carrying values at 30 June 2017</b>	<b>311 882 116</b>	<b>1 677 794 254</b>	<b>16 396 234</b>	<b>4 603 826</b>	<b>2 010 676 430</b>
Cost	332 637 832	2 137 945 394	61 008 411	8 035 195	2 539 626 831
- Completed Assets	332 637 832	2 058 654 112	61 008 411	8 035 195	2 460 335 550
- Under Construction	-	79 291 281	-	-	79 291 281
Accumulated Impairment Losses	-	-	(967 177)	-	(967 177)
- Cost	-	-	(967 177)	-	(967 177)
Accumulated Depreciation:	(20 755 716)	(460 151 140)	(43 645 000)	(3 431 369)	(527 983 225)
- Cost	(20 755 716)	(460 151 140)	(43 645 000)	(3 431 369)	(527 983 225)

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**9 PROPERTY, PLANT AND EQUIPMENT (Continued)**

**30 June 2016**

**Reconciliation of Carrying Value**

Description	Land and Buildings	Infra-structure	Other	Leased Assets	Total
	R	R	R	R	R
<b>Carrying values at 01 July 2015</b>	<b>289 489 368</b>	<b>1 663 608 052</b>	<b>25 136 536</b>	<b>4 243 929</b>	<b>1 982 477 885</b>
Cost	301 590 309	2 011 678 174	66 357 556	10 266 721	2 389 892 760
- Completed Assets	294 876 601	1 897 503 754	66 357 556	10 266 721	2 269 004 632
- Under Construction	6 713 708	114 174 420	-	-	120 888 128
Accumulated Depreciation:	(12 100 940)	(348 070 123)	(41 221 020)	(6 022 792)	(407 414 875)
- Cost	(12 100 940)	(348 070 123)	(41 221 020)	(6 022 792)	(407 414 875)
Additions	34 640 085	66 363 323	2 142 728	-	103 146 136
- Completed assets	21 622 336	-	2 142 728	-	23 765 064
- Transferred in capital under construction	13 017 749	66 363 323	-	-	79 381 072
Depreciation:	(2 041 318)	(54 149 303)	(5 684 144)	(1 874 800)	(63 749 566)
- Based on Cost	(2 041 318)	(54 149 303)	(5 684 144)	(1 874 800)	(63 749 566)
Carrying value of Disposals:	-	(5 588)	(220 019)	-	(225 607)
- Cost	-	(67 658)	(481 375)	-	(549 033)
- Accumulated Depreciation	-	62 070	261 356	-	323 426
- Based on Cost	-	62 070	261 356	-	323 426
Capital under Construction - Completed	(6 713 708)	13 114 543	-	-	6 400 835
- Additions	6 304 041	79 477 866	-	-	85 781 907
- Completed and transferred out	(13 017 749)	(66 363 323)	-	-	(79 381 072)
<b>Carrying values at 30 June 2016</b>	<b>302 356 678</b>	<b>1 622 567 703</b>	<b>21 375 101</b>	<b>2 369 128</b>	<b>2 028 049 683</b>
Cost	329 516 685	2 091 088 382	68 018 909	10 266 721	2 498 890 697
- Completed Assets	329 516 685	1 963 799 419	68 018 909	10 266 721	2 371 601 735
- Under Construction	-	127 288 963	-	-	127 288 963
Accumulated Depreciation:	(14 142 258)	(402 157 356)	(46 643 808)	(7 897 593)	(470 841 015)
- Cost	(14 142 258)	(402 157 356)	(46 643 808)	(7 897 593)	(470 841 015)

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**9 PROPERTY, PLANT AND EQUIPMENT (Continued)**

**9.1 Expenditure incurred to Repair and Maintain**

The following specific costs included in the amount of Repairs and Maintenance as disclosed in Note 36 were incurred by the municipality during the reporting period:

Land & Buildings:	<b>1 115 481</b>	<b>643 951</b>
- Inventory Consumed	1 115 481	643 951
Electrical Infrastructure:	<b>11 694 137</b>	<b>10 814 284</b>
- Inventory Consumed	11 694 137	10 814 284
Roads Infrastructure:	<b>5 037 705</b>	<b>4 788 158</b>
- Inventory Consumed	5 037 705	4 788 158
Sanitation Infrastructure:	<b>1 173 348</b>	<b>1 049 990</b>
- Inventory Consumed	1 173 348	1 049 990
Water Supply Infrastructure:	<b>346 153</b>	<b>230 175</b>
- Inventory Consumed	346 153	230 175
Other Infrastructure:	<b>3 591 144</b>	<b>3 316 002</b>
- Inventory Consumed	3 591 144	3 316 002
Other Assets:	<b>10 242 292</b>	<b>7 649 563</b>
- Inventory Consumed	10 242 292	7 649 563
<b>Total Expenditure incurred to Repair and Maintain</b>	<b>33 200 259</b>	<b>28 492 123</b>



**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>10 INTANGIBLE ASSETS</b>		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<b>62 225</b>	<b>146 585</b>
The movement in Intangible Assets is reconciled as follows:		
		<b>Total</b>
<b>Carrying values at 01 July 2016</b>		<b>146 585</b>
Cost		592 899
Accumulated Amortisation		(446 314)
Acquisitions:		
Purchased		-
Amortisation:		
Purchased		(42 386)
Disposals:		
At Cost		(41 974)
At Accumulated Amortisation		(401 994)
		360 020
<b>Carrying values at 30 June 2017</b>		<b>62 225</b>
Cost		190 905
Accumulated Amortisation		(128 680)
		<b>Total</b>
<b>Carrying values at 01 July 2015</b>		<b>186 363</b>
Cost		534 917
Accumulated Amortisation		(348 554)
Acquisitions:		
Purchased		57 982
Amortisation:		
Purchased		(97 760)
		(97 760)
<b>Carrying values at 30 June 2016</b>		<b>146 585</b>
Cost		592 899
Accumulated Amortisation		(446 314)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 34).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

**10.1 Significant Intangible Assets**

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102 and SIC 32, are the following:

(i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

**10.2 Intangible Assets with Indefinite Useful Lives**

The municipality amortises all its Intangible Assets and none of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

**10.3 Impairment of Intangible Assets**

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

**10.4 Work-in-Progress**

The municipality had no capital projects for Intangible Assets which were not completed at year-end.

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>11 INVESTMENT PROPERTY</b>		
At Cost less Accumulated Depreciation	<u>285 199 244</u>	<u>285 199 244</u>
The movement in Investment Property is reconciled as follows:		
<b>Carrying values at 1 July</b>	<b>285 199 244</b>	<b>285 199 244</b>
Cost	285 199 244	285 199 244
Accumulated Depreciation	-	-
Acquisitions during the Year	-	-
Depreciation during the Year	-	-
<b>Carrying values at 30 June</b>	<b>285 199 244</b>	<b>285 199 244</b>
Cost	285 199 244	285 199 244
Accumulated Depreciation	-	-
<b>Estimated Fair Value of Investment Property at 30 June</b>	<u><b>285 199 244</b></u>	<u><b>285 199 244</b></u>

*Note: Erf 13 (Value - R166 000.00 of Kouga Municipality in Patensie is being held as security by ABSA Bank (Pty) Ltd.*

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

**11.1 Investment Property**

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

**11.2 Impairment of Investment Property**

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

**11.3 Work-in-Progress**

The municipality had no capital projects for Investment Property which were not completed at year-end.

**11.4 Delayed Projects**

No projects that are currently in progress are experiencing significant delays or were halted.

**12 LONG-TERM RECEIVABLES**

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2017</b>			
Other Loans	296 832	214 710	82 122
	<u>296 832</u>	<u>214 710</u>	82 122
Less: Current Portion transferred to Current Receivables:-			17 371
Recovered			14 371
Current Portion transferred to Current Receivables			3 000
<b>Total Long-term Receivables</b>			<u><b>64 751</b></u>
	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2016</b>			
Other Loans	304 574	126 231	178 343
	<u>304 574</u>	<u>126 231</u>	178 343
Less: Current Portion transferred to Current Receivables:-			10 742
Recovered			7 742
Current Portion transferred to Current Receivables			3 000
<b>Total Long-term Receivables</b>			<u><b>167 601</b></u>

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
The municipality does not hold deposits or any other security for its Long-term Receivables.		
No Long-term Receivables have been pledged as security for the municipality's financial liabilities.		

**12.1 Ageing of Long-term Receivables**

Past Due:

+ 120 Days	296 832	304 574
<b>Total</b>	<b>296 832</b>	<b>304 574</b>

**12.2 Reconciliation of the Provision for Impairment**

Balance at beginning of year	126 231	126 231
Contribution to provision	214 710	126 231
Impairment Losses reversed	(126 231)	(126 231)
<b>Balance at end of year</b>	<b>214 710</b>	<b>126 231</b>

**13 CONSUMER DEPOSITS**

Electricity and Water	10 273 091	9 590 330
<b>Total Consumer Deposits</b>	<b>10 273 091</b>	<b>9 590 330</b>

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

**14 PROVISIONS**

Performance Bonuses	898 174	678 671
Staff Leave	14 561 561	14 293 355
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 20)	2 776 000	2 312 000
Current Portion of Long-term Service Liability (See Note 20)	1 606 000	1 438 000
Current Portion of Non-Current Provisions (See Note 21):	2 802 534	3 387 190
Ex-Gratia Pension	61 000	95 000
Clearing of Environmental Cleanup	200 000	597 604
Rehabilitation of Land-fill Sites	2 541 534	2 694 586
<b>Total Provisions</b>	<b>22 644 269</b>	<b>22 109 217</b>

**Provision for environmental clean - up**

Illegal dumping of builders' and other rubble is taking place through out the KOUGA area on the municipality's property. Contrary to S19A of Environmental Conservation Act, (No 73 of 1989), the municipality has not cleared the illegal dumping and other rubble.

The municipality has accounted for a provision for the cost of clearing builders' and other rubble as required by GRAP 19.20 - Provisions, contingent liabilities and contingent assets. The net present value of the clean - up costs have been determined as at 30 June 2017. The provision is the best estimate of the net present value of future clean - up costs. The payment dates of the costs to clean up the builders' and other rubble are uncertain, but are currently expected to be in the following years.

The movement in provisions are reconciled as follows:

**Current Provisions:**

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	2017 R	2016 R
<b>Performance Bonuses:</b>		
Balance at beginning of year	678 671	550 316
Expenditure incurred	219 503	128 355
<b>Balance at end of year</b>	<b><u>898 174</u></b>	<b><u>678 671</u></b>

**Performance Bonuses** accrue to senior managers on an annual basis, subject to certain conditions. The provision is the best estimate of the amount due at the reporting date.

**Staff Leave:**

Balance at beginning of year	14 293 355	12 133 593
Contributions to provision	-	2 159 762
Expenditure incurred	268 206	-
<b>Balance at end of year</b>	<b><u>14 561 561</u></b>	<b><u>14 293 355</u></b>

**Staff Leave** accrue to staff of the municipality on an annual basis, subject to certain conditions. The provision is the best estimate of the amount due at the reporting date.

**Current Portion of Non-Current Provisions:**

	Long-term Service R	Post-retirement R
<b>30 June 2017</b>		
Balance at beginning of year	1 438 000	2 312 000
Transfer from non-current	1 606 000	2 776 000
Expenditure incurred	(1 438 000)	(2 312 000)
<b>Balance at end of year</b>	<b><u>1 606 000</u></b>	<b><u>2 776 000</u></b>

	Long-term Service R	Post-retirement R
<b>30 June 2016</b>		
Balance at beginning of year	1 837 000	2 314 000
Transfer from non-current	1 438 000	2 312 000
Expenditure incurred	(1 837 000)	(2 314 000)
<b>Balance at end of year</b>	<b><u>1 438 000</u></b>	<b><u>2 312 000</u></b>

**Current Portion of Non-Current Provisions:**

	Ex-Gratia Pension R	Other Provisions R	Rehabilitation of Land-fill Sites R
<b>30 June 2017</b>			
Balance at beginning of year	95 000	597 604	2 694 586
Transfer from non-current	61 000	-	(153 052)
Contributions to provision	-	(397 604)	-
Expenditure incurred	(95 000)	-	-
<b>Balance at end of year</b>	<b><u>61 000</u></b>	<b><u>200 000</u></b>	<b><u>2 541 534</u></b>

	Ex-Gratia Pension R	Other Provisions R	Rehabilitation of Land-fill Sites R
<b>30 June 2016</b>			
Balance at beginning of year	75 000	795 852	12 175 921
Transfer from non-current	95 000	-	2 694 586
Contributions to provision	-	(198 248)	-
Expenditure incurred	(75 000)	-	(12 175 921)
<b>Balance at end of year</b>	<b><u>95 000</u></b>	<b><u>597 604</u></b>	<b><u>2 694 586</u></b>

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	2017	2016
	R	R
	2017	2016
	R	R

**15 PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade Creditors	91 125 488	114 497 408
Retentions	3 098 325	3 058 792
Other Creditors	21 103 116	13 065 713
<b>Total Payables</b>	<b>115 326 930</b>	<b>130 621 914</b>

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

**16 PAYABLES FROM NON-EXCHANGE TRANSACTIONS**

Other Creditors	12 912 272	13 421 060
Sundry Deposits	3 293 933	2 732 288
<b>Total Payables</b>	<b>16 206 204</b>	<b>16 153 347</b>

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

**17 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**17.1 Conditional Grants from Government**

	<b>6 726 723</b>	<b>7 841 525</b>
National Government Grants	348 891	2 320 536
Provincial Government Grants	6 085 831	5 228 989
Local Government Grants	157 000	157 000
Other Spheres of Government	135 000	135 000
<b>Total Conditional Grants and Receipts</b>	<b>6 726 723</b>	<b>7 841 525</b>

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.  
See Note 26 for the reconciliation of Grants from Government and Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

An amount of R1 243 022 (R2016: R0) was offset against the equitable share allocation due to underspending of grants by the municipality.

Refer to Appendix "D" for more detail on Conditional Grants.

**18 OPERATING LEASE LIABILITIES**

**18.1 Leasing Arrangements**

**The Municipality as Lessee:**

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years.

**18.2 Amounts payable under Operating Leases**

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

<b>Other Equipment:</b>	6 941 824	4 776 203
Up to 1 year	6 941 824	4 776 203
2 to 5 years	-	-
More than 5 years	-	-
<b>Total Operating Lease Arrangements</b>	<b>6 941 824</b>	<b>4 776 203</b>

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	6 941 824	4 776 203
<b>Total Operating Lease Expenses</b>	<b>6 941 824</b>	<b>4 776 203</b>

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Office Equipment

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	2017 R	2016 R
The following restrictions have been imposed on the municipality in terms of the lease agreements on Office Equipment:		
(i) The equipment shall remain the property of the lessor.		
(ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment.		
(iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.		
(iv) The municipality is obliged to enter into a maintenance agreement with the lessor for the equipment rented.		

**19 LONG-TERM LIABILITIES**

Annuity Loans	36 734 307	42 485 867
Finance Lease Liabilities	4 432 790	2 754 390
Sub-total	<u>41 167 098</u>	<u>45 240 257</u>
Less: Current Portion transferred to Current Liabilities:-	8 599 901	7 735 833
Annuity Loans	6 444 933	5 756 979
Finance Lease Liabilities	2 154 968	1 978 854
<b>Total Long-term Liabilities</b> (Neither past due, nor impaired)	<u><u>32 567 197</u></u>	<u><u>37 504 424</u></u>

**19.1 Summary of Arrangements**

Annuity Loans are repaid over a period of 5 years and at interest rates varying from 10,50% to 11,18% (2016: 11,18% to 11,88%) per annum. The Absa loan is secured, with ERF 13 in Patensie. No security is held on DBSA loans.

Finance Lease Liabilities relates to Office Equipment with lease terms not more than 2 years (2016: 3) years. The effective interest rate on Finance Leases is between 13,21% and 24,88% (2016: 13,21 to 24,88%). Capitalised Lease Liabilities are secured over the items of vehicles and equipment leased.

The total Annuity Loans is made up of the following loans:

Absa	37 618	46 419
Development Bank of South Africa	36 696 689	42 439 448
	<u><u>36 734 307</u></u>	<u><u>42 485 867</u></u>

Refer to Appendix "A" for more detail on Long-term Liabilities.

**19.2 Obligations under Finance Lease Liabilities**

**The Municipality as Lessee:**

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 1 years (2016: 2 years). The effective interest rate on Finance Leases is 24,88% (2016: 24,88%).

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment
- Wireless radio network

Included in these classes are the following significant leases:

(i) Various photocopier and fax machines	R 775 540	R 2 754 393
- Installments are payable monthly		
- Average period outstanding	4 months	12 months
- Average effective interest rate	24,88%	24,88%
- Average capital redemption per month over the period leased	R 142 784	R 229 533
(ii) Wireless radio network	R 3 657 254	-
- Installments are payable monthly in advance		
- Average period outstanding	12 months	-
- Average effective interest rate, based on prime	24,88%	-
- Average capital redemption per month over the period leased	R 124 733	-

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	2017		2016	
	R		R	
The obligations under Finance Leases are as follows:				
	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2017	2016	2017	2016
	R	R	R	R
<b>Amounts payable under finance leases:</b>				
Within one year	2 955 049	2 448 431	2 154 968	1 978 854
In the second to fifth years, inclusive	2 673 632	816 143	2 277 822	775 540
Over five years	-	-	-	-
	5 628 681	3 264 574	4 432 790	2 754 393
Less: Future Finance Obligations	1 195 887	510 181	2 154 968	1 978 854
<b>Present Value of Minimum Lease Obligations</b>	<b>4 432 794</b>	<b>2 754 393</b>	<b>2 277 822</b>	<b>775 539</b>

**20 EMPLOYEE BENEFIT LIABILITIES**

Post-retirement Health Care Benefits Liability	80 197 999	78 606 999
Long Service Awards Liability	11 504 000	11 610 000
Ex-Gratia Pension	742 000	829 000
<b>Total Employee Benefit Liabilities</b>	<b>92 444 000</b>	<b>91 046 000</b>

**20.1 Post-retirement Health Care Benefits Liability**

Balance at beginning of Year	78 606 999	72 739 999
Contributions to Provision	2 055 000	5 865 000
Balance at end of Year	82 973 999	80 918 999
Transfer to Current Provisions	(2 776 000)	(2 312 000)
<b>Total Post-retirement Health Care Benefits Liability</b>	<b>80 197 999</b>	<b>78 606 999</b>

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by One Pangaea Financial Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	406	429
Continuation Members (Retirees, widowers and orphans)	67	63
<b>Total Members</b>	<b>473</b>	<b>492</b>

The liability in respect of past service has been estimated as follows:

In-service Members	43 147 000	45 905 000
Continuation Members	39 826 999	35 014 000
<b>Total Liability</b>	<b>82 973 999</b>	<b>80 919 000</b>

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
The Current-service Cost for the year ending 30 June 2017 is estimated to be R4 463 000, whereas the cost for the ensuing year is estimated to be R3 598 000 (30 June 2016: R6 933 000 and R7 793 000 respectively).		

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	9,93%	9,77%
Health Care Cost Inflation Rate	7,29%	7,89%
Net Effective Discount Rate	1,51%	0,81%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	80 919 000	75 054 000
Current service costs	4 463 000	3 598 000
Interest cost	7 793 000	6 933 000
Benefits paid	(2 312 000)	(2 314 000)
Actuarial losses / (gains)	(7 889 001)	(2 352 000)

<b>Total Recognised Benefit Liability</b>	<b>82 973 999</b>	<b>80 919 000</b>
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	82 973 999	80 919 000
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Unfunded Accrued Liability	82 973 999	80 919 000
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<b>Total Benefit Liability</b>	<b>82 973 999</b>	<b>80 919 000</b>
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The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	4 463 000	3 598 000
Interest cost	7 793 000	6 933 000
Actuarial losses / (gains)	(7 889 001)	(2 352 000)
Adjustment for Short-term Portion from Previous Year	(2 311 999)	(2 314 000)

<b>Total Post-retirement Benefit included in Employee Related Costs (Note 32)</b>	<b>2 055 000</b>	<b>5 865 000</b>
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The history of experienced adjustments is as follows:

	2017 R	2016 R	2015 R	2014 R	2013 R
Present Value of Defined Benefit Obligation	82 974 000	80 919 000	75 054 000	69 141 000	69 432 000
<b>Deficit</b>	<b>82 974 000</b>	<b>80 919 000</b>	<b>75 054 000</b>	<b>69 141 000</b>	<b>69 432 000</b>

	2017 R	2016 R
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost	2 401 000	2 580 000
Effect on the defined benefit obligation	14 427 000	14 829 000
<b>Decrease:</b>		
Effect on the aggregate of the current service cost and the interest cost	(1 897 000)	(1 263 000)
Effect on the defined benefit obligation	(11 603 000)	(11 838 000)

The municipality expects to make a contribution of R7 793 000 (2016: R6 933 000) to the Defined Benefit Plans during the next financial year.

## 20.2 Long Service Awards Liability

Balance at beginning of year	11 610 000	11 578 000
Contributions to provision	62 000	(367 000)
Balance at end of Year	13 110 000	13 048 000
Transfer to Current Provisions	(1 606 000)	(1 438 000)
<b>Total Long Service Awards Liability</b>	<b>11 504 000</b>	<b>11 610 000</b>



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**2017**  
**R**                      **2016**  
**R**

The long-service bonus is granted to employees after the completion of fixed periods of continuous service with the municipality. The said award comprise a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively credited to his/her vacation leave accrual. The provision represents an estimation of the awards to which employees in the service of the municipality at 30 June 2017 may become entitled to in future, based on actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by One Pangaea Financial Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality.

At year end, 818 (2016: 876) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2017 is estimated to be R 1 130 000, whereas the cost for the ensuing year is estimated to be (30 June 2016: R1 185 000 and R1 194 000 respectively).

**2017**  
**R**                      **2016**  
**R**

**The principal assumptions used for the purposes of the actuarial valuations were as follows:**

Discount Rate	8,43%	8,65%
Cost Inflation Rate	6,24%	7,83%
Net Effective Discount Rate	2,06%	0,76%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

**Movements in the present value of the Defined Benefit Obligation were as follows:**

Balance at the beginning of the year	13 048 000	13 415 000
Current service costs	1 130 000	1 185 000
Interest cost	1 066 000	1 194 000
Benefits paid	(243 000)	(1 837 000)
Actuarial losses / (gains)	(1 891 000)	(909 000)

**Total Recognised Benefit Liability**

**13 110 000**                      **13 048 000**

**The amounts recognised in the Statement of Financial Position are as follows:**

Present value of fund obligations	13 110 000	13 048 000
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Unfunded Accrued Liability

13 110 000                      13 048 000

**Total Benefit Liability**

**13 110 000**                      **13 048 000**

**The amounts recognised in the Statement of Financial Performance are as follows:**

Current service cost	1 130 000	1 185 000
Interest cost	1 066 000	1 194 000
Actuarial losses / (gains)	(1 891 000)	(909 000)

**Total Post-retirement Benefit included in Employee Related Costs (Note 32)**

**305 000**                      **1 470 000**

**The history of experienced adjustments is as follows:**

	<b>2017</b> <b>R</b>	<b>2016</b> <b>R</b>	<b>2015</b> <b>R</b>	<b>2014</b> <b>R</b>	<b>2013</b> <b>R</b>
Present Value of Defined Benefit Obligation	13 110 000	13 048 000	13 415 000	12 825 000	10 820 000
<b>Deficit</b>	<b>13 110 000</b>	<b>13 048 000</b>	<b>13 415 000</b>	<b>12 825 000</b>	<b>10 820 000</b>

**2017**  
**R**                      **2016**  
**R**

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

**Increase:**

Effect on the aggregate of the current service cost and the interest cost	11 000	12 000
Effect on the defined benefit obligation	719 000	722 000

**Decrease:**

Effect on the aggregate of the current service cost and the interest cost	13 000	14 000
Effect on the defined benefit obligation	801 000	995 000

The municipality expects to make a contribution of R1 066 000 (2016: R1 194 000) to the defined benefit plans during the next financial year.

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>20.3 Ex-Gratia Pension</b>		
Balance at beginning of year	829 000	837 000
Contributions to provision	(108 000)	10 000
Expenditure incurred	82 000	77 000
Balance at end of Year	<u>803 000</u>	<u>924 000</u>
Transfer to Current Provisions	(61 000)	(95 000)
<b>Total Long Ex-Gratia Liability</b>	<b><u>742 000</u></b>	<b><u>829 000</u></b>

The municipality provides certain post - retirement pension benefits to certain retired employees of the municipality. According to the rules of the pension fund, with which the municipality is associated, a member (who is on the current Conditions of Service) on retirement, is entitled to certain pension benefits in which case the municipality is liable for pension payments to retired members for the remainder of their lives.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by One Pangaea Financial Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

	R	R
<b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b>		
Discount Rate	9,43%	9,36%
Cost Inflation Rate	6,76%	7,50%
Net Effective Discount Rate	6,60%	7,50%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

**Movements in the present value of the Defined Benefit Obligation were as follows:**

Balance at the beginning of the year	924 000	912 000
Interest cost	82 000	77 000
Benefits paid	(95 000)	(75 000)
Actuarial losses / (gains)	(108 000)	10 000

<b>Total Recognised Benefit Liability</b>	<b><u>803 000</u></b>	<b><u>924 000</u></b>
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**The amounts recognised in the Statement of Financial Position are as follows:**

Present value of fund obligations	803 000	924 000
Unfunded Accrued Liability	<u>803 000</u>	<u>924 000</u>
<b>Total Benefit Liability</b>	<b><u>803 000</u></b>	<b><u>924 000</u></b>

**The amounts recognised in the Statement of Financial Performance are as follows:**

Current service cost	-	-
Interest cost	82 000	77 000
Actuarial losses / (gains)	(108 000)	10 000
Benefits Paid		(33 000)

<b>Total Post-retirement Benefit included in Employee Related Costs (Note )</b>	<b><u>(26 000)</u></b>	<b><u>54 000</u></b>
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**The history of experienced adjustments is as follows:**

	R	R	R	R	R
Present Value of Defined Benefit Obligation	803 000	924 000	912 000	195 000	510 000
<b>Deficit</b>	<b><u>803 000</u></b>	<b><u>924 000</u></b>	<b><u>912 000</u></b>	<b><u>195 000</u></b>	<b><u>510 000</u></b>

	R	R
<b>The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:</b>		
<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost	8 000	8 000
Effect on the defined benefit obligation	90 000	114 000

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>Decrease:</b>		
Effect on the aggregate of the current service cost and the interest cost	(7 000)	(12 000)
Effect on the defined benefit obligation	(77 000)	(92 000)

The municipality expects to make a contribution of R1 817 210 (: R82 000) to the defined benefit plans during the next financial year.

**21 NON-CURRENT PROVISIONS**

Provision for Augmentation Fees	52 200	52 200
Provision for Rehabilitation of Land-fill Sites	62 413 610	58 828 770
<b>Total Non-current Provisions</b>	<b>62 465 810</b>	<b>58 880 970</b>

**Rehabilitation of Landfill Sites**

The municipality has an obligation to rehabilitate its land-fill sites in terms of its licence stipulations. The net present value of the rehabilitation cost of land-fill sites has been determined as at 30 June 2017 by a technical specialist, Mr S Nel, (Pr Eng, BSc Eng (Civil), BCom Honours), the branch manager for the East London branch of Bosch Munitech (Pty) Ltd. The provision is the best estimate of the net present value of future rehabilitation costs of the land-fill sites to restore the sites at the end of their useful lives. The payment dates of the total closure and rehabilitation are uncertain, but are currently expected to be between 2017 and 2038.

**Major assumptions concerning future events**

The cost estimate for construction works to be performed for the closure and rehabilitation of an existing disposal site include the following assumptions made

- (a) The consolidation of "old" waste in the cell and filling of voids with builders rubble or other waste permissible for disposal at the site.
- (b) Daming the entire site in such a way to prevent the formation of pools due to rain, to ensure free surface runoff of rain water.
- (c) Capping the site in accordance with the capping design requirements as stipulated in the Minimum Requirements for Closure for the various classes of disposal sites; and
- (d) Rehabilitating the site in accordance with the end-use plan e.g. grassing, sport field etc.

**Augmentation fees**

The movement in Non-current Provisions are reconciled as follows:

	Augmentation Fees R	Land-fill Sites R
<b>30 June 2017</b>		
Balance at beginning of year	52 200	58 828 770
Increase due to discounting	-	3 431 788
	52 200	62 260 558
Transfer to current provisions	-	153 052
<b>Balance at end of year</b>	<b>52 200</b>	<b>62 413 610</b>
	Augmentation Fees R	Land-fill Sites R
<b>30 June 2016</b>		
Balance at beginning of year	52 200	25 947 857
Increase due to discounting	-	(125 085)
Expenditure incurred	-	35 700 584
	52 200	61 523 356
Transfer to current provisions	-	(2 694 586)
<b>Balance at end of year</b>	<b>52 200</b>	<b>58 828 770</b>

**22 ACCUMULATED SURPLUS**

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Accumulated Surplus / (Deficit) due to the results of Operations	2 102 988 868	2 098 485 648
<b>Total Accumulated Surplus</b>	<b>2 102 988 868</b>	<b>2 098 485 648</b>

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>23 PROPERTY RATES</b>		
	<b>Actual Levies</b>	
Residential & Commercial	162 917 094	148 234 661
Less: Revenue Foregone - Free Basic Services	(14 842 316)	(12 895 216)
<b>Total Property Rates</b>	<b>148 074 778</b>	<b>135 339 445</b>
<b>23.1 Calculation of Cash Flow:</b>		
Property Rates Income	148 074 778	135 339 445
Fines Income	10 551 532	9 798 101
Opening Balance of Debtors: Assessment Rates and Fines	41 465 328	38 203 960
Closing Balance of Debtors: Assessment Rates and Fines	(48 388 206)	(41 465 328)
Amounts written-off as uncollectable	(4 829 070)	(5 364 031)
<b>Total Receipts for Property Rates</b>	<b>146 874 362</b>	<b>136 512 147</b>
Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2013.		
Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.		
An general rate is applied as follows to property valuations to determine property rates:		
Residential Properties: 0,00668052 c/R (2015/16: 0,00612892 c/R)		
Business Properties: 0,006947744 c/R (2015/16: 0,006254 c/R)		
Agricultural Properties: 0,00167013 c/R (2015/16: 0,0015635 c/R)		
A Rebate of R15,000 is received on all residential properties, private towns receives an additional 20% on property valuation and equitable share recipients receives an additional R85,000 rebate on property value.		
All infrastructure owned properties receives a 30% rebate on property value.		
<b>24 FINES</b>		
Traffic Fines	2 019 949	1 850 266
Other Fines	8 531 583	7 947 835
<b>Total Fines</b>	<b>10 551 532</b>	<b>9 798 101</b>
<b>25 LICENCES AND PERMITS</b>		
Vehicle Licenses And Registration	2 743 849	2 190 591
Boat Licenses And Permits	1 860 825	1 418 627
Drivers Licenses	2 023 793	2 082 943
Other Licenses	248 942	373 408
<b>Total Licences and Permits</b>	<b>6 877 409</b>	<b>6 065 570</b>
<b>26 GOVERNMENT GRANTS AND SUBSIDIES</b>		
National Equitable Share	91 622 022	82 099 000
Other Subsidies	1 758 535	6 050 024
<b>Operational Grants</b>	<b>93 380 557</b>	<b>88 149 024</b>
<b>Conditional Grants</b>	<b>50 924 274</b>	<b>80 028 187</b>
National: EPWP	1 057 000	1 000 000
National: FMG	2 754 551	470 449
National: MIG	37 326 000	30 800 000
National: MSIG	-	16 530
National: DWA - Other Capital projects	1 931 618	9 313 484
National: Energy	5 928 623	3 887 985
Provincial: Department Human Settlement	-	33 347 961
Provincial: Department Human Settlement	1 569 182	316 795
Provincial: Department Human Settlement	357 300	874 983
<b>Total Government Grants and Subsidies</b>	<b>144 304 831</b>	<b>168 177 211</b>

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>26.1 Calculation of Cash Flow:</b>		
Government Grants and Subsidies Income	144 304 831	168 177 211
Opening Balance of Unspent Government Grants	(7 841 525)	(5 830 359)
Closing Balance of Unspent Government Grants	6 726 723	7 841 525
<b>Total Receipts for Government Grants and Subsidies</b>	<b>143 190 028</b>	<b>170 188 377</b>

**Operational Grants:**

<b>26.2 National: Equitable Share</b>	<b>91 622 022</b>	<b>82 099 000</b>
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In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R692 (2016: R692), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 12 kl water and 50 kWh electricity (indigents only) free every month. .

An amount of R1 243 022 (R2016: R0) was offset against the equitable share allocation due to underspending of grants by the municipality.

**Conditional Grants:**

**26.3 National: EPWP Grant**

Balance unspent at beginning of year	-	-
Current year receipts	1 057 000	1 000 000
Conditions met - transferred to Revenue: Operating Expenses	(1 057 000)	(1 000 000)
Conditions still to be met - transferred to Liabilities (see Note 17)	-	-

The Expanded Public Works Programme Grant was allocated to the municipality for environmental projects. No funds has been withheld.

**26.4 National: FMG Grant**

Balance unspent at beginning of year	1 129 551	-
Current year receipts	1 625 000	1 600 000
Conditions met - transferred to Revenue: Operating Expenses	(2 754 551)	(470 449)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 17)	-	1 129 551

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. .

An amount of R329 551 (R2016: R0) was offset against the equitable share allocation due to underspending of grants by the municipality.

**26.5 National: MIG Funds**

Balance unspent at beginning of year	-	0
Current year receipts	37 326 000	30 800 000
Conditions met - transferred to Revenue: Operating Expenses	(1 516 300)	(1 540 000)
Conditions met - transferred to Revenue: Capital Expenses	(35 809 700)	(29 260 000)
Conditions still to be met - transferred to Liabilities (see Note 17)	-	-

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

**26.6 National: MSIG Funds**

Balance unspent at beginning of year	913 471	1
Current year receipts	-	930 000
Conditions met - transferred to Revenue: Operating Expenses	(913 471)	(16 530)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 17)	(0)	913 471

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems.

An amount of R913 471 (R2016: R0) was offset against the equitable share allocation due to underspending of grants by the municipality.

**26.7 National: Department of economic development**

Balance unspent at beginning of year	65 500	65 500
Conditions still to be met - transferred to Liabilities (see Note 17)	65 500	65 500

No funds have been withheld.

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>26.8 National: Department Water Affairs (DWA) - Other Capital Projects</b>		
Balance unspent at beginning of year	-	550 000
Current year receipts	1 931 618	8 763 484
Conditions met - transferred to Revenue: Operating Expenses	(1 931 618)	-
Conditions met - transferred to Revenue: Capital Expenses	-	(9 313 484)
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>-</u>	<u>0</u>

This grant was received for the maintenance of water schemes within the district. No funds have been withheld.

**26.9 National: Department Energy**

Balance unspent at beginning of year	212 015	-
Current year receipts	6 000 000	4 100 000
Conditions met - transferred to Revenue: Operating Expenses	(5 928 623)	(3 887 985)
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>283 392</u>	<u>212 015</u>

Expenses were incurred to promote rural development and upgrade electricity infrastructure. No funds have been withheld.

**26.10 Provincial: Department Human Settlements (Infrastructure)**

Balance unspent at beginning of year	-	-
Current year receipts	-	33 516 211
Conditions met - transferred to Revenue: Capital Expenses	-	(33 347 961)
Other Adjustments/Refunds	-	(168 250)
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>-</u>	<u>-</u>

This grant is for the building of low cost housing. The municipality is only the agent of the department of human settlements for the construction of low cost houses. No funds have been withheld.

**26.11 Local Government: SBDM**

Balance unspent at beginning of year	157 000	157 000
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>157 000</u>	<u>157 000</u>

This grant was allocated to assist the municipality to set up a Call Centre. No funds have been withheld.

**26.12 Provincial: Department Human Settlement (Houses)**

Balance unspent at beginning of year	5 228 989	4 922 858
Current year receipts	2 426 025	622 926
Conditions met - transferred to Revenue: Capital Expenses	(1 569 182)	(316 795)
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>6 085 832</u>	<u>5 228 989</u>

This grant is for the building of low cost housing. The municipality is only the agent of the department of human settlements for the construction of low cost houses. No funds have been withheld.

**26.13 Provincial: Department Provincial Local Government and Housing (DPLG&H)**

Balance unspent at beginning of year	-	-
Current year receipts	357 300	874 983
Conditions met - transferred to Revenue: Operating Expenses	(357 300)	(874 983)
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>-</u>	<u>-</u>

**26.14 Other Government Grants: VUNA**

Balance unspent at beginning of year	35 000	35 000
Conditions still to be met - transferred to Liabilities	<u>35 000</u>	<u>35 000</u>

No funds have been withheld.

**26.15 Other Government Grants: Other**

Balance unspent at beginning of year	100 000	100 000
Conditions still to be met - transferred to Liabilities	<u>100 000</u>	<u>100 000</u>

**26.16 Changes in levels of Government Grants**

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2017), government grant funding is expected to increase over the forthcoming three financial years.

**27 PUBLIC CONTRIBUTIONS AND DONATIONS**

**Public Contributions and Donations:**

Other Donations	4 000	118 424
Total Public Contributions and Donations	<u>4 000</u>	<u>118 424</u>

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>28 SERVICE CHARGES</b>		
Sale of Electricity	241 233 941	234 162 285
Sale of Water	39 607 926	37 380 339
Refuse Removal	53 035 864	48 735 384
Sewerage and Sanitation Charges	41 827 973	40 540 705
Other Service Charges	(38 322 133)	(34 273 206)
<b>Total Service Charges</b>	<b>337 383 571</b>	<b>326 545 507</b>

**28.1 Calculation of Cash Flow:**

Service Charges Income	337 383 571	326 545 507
Opening Balance of Debtors: Service Charges	110 293 681	99 410 343
Closing Balance of Debtors: Service Charges	(110 125 547)	(110 293 681)
Amounts written-off as uncollectable	(6 125 555)	(1 576 969)
Opening Balance of Consumer Deposits	(9 590 330)	(8 592 611)
Closing Balance of Consumer Deposits	10 273 091	9 590 330
<b>Total Receipts for Service Charges</b>	<b>332 108 911</b>	<b>315 082 919</b>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

**29 RENTAL OF FACILITIES AND EQUIPMENT**

Rental Revenue from Amenities	12 565	9 000
Rental Revenue from Buildings	217 082	180 011
Rental Revenue from Halls	181 490	176 831
Rental Revenue from Land	88 743	82 177
Rental Revenue from Other Facilities	1 005 770	296 330
<b>Total Rental of Facilities and Equipment</b>	<b>1 505 650</b>	<b>744 348</b>

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

**30 INTEREST EARNED**

**External Investments:**

Bank Account	1 086 277	488 743
Other Deposits	6 689 851	4 542 565
	<b>7 776 128</b>	<b>5 031 308</b>

**Outstanding Debtors:**

Outstanding Billing Debtors	8 144 334	3 306 788
Gross interest included in debtors (PY)	13 248 940,00	12 009 477
Gross interest included in debtors (CY)	-16 743 215,00	(13 248 940)
	<b>4 650 059</b>	<b>2 067 325</b>
	<b>(3 494 275,00)</b>	<b>(1 239 463,00)</b>
<b>Total Interest Earned</b>	<b>12 426 187</b>	<b>7 098 634</b>

**30.1 Calculation of Cash Flow:**

Total Interest Earned	12 426 187	7 098 634
<b>Total Receipts for Interest Received</b>	<b>12 426 187</b>	<b>7 098 634</b>

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

Available-for-Sale Financial Assets	1 086 277	488 743
Held-to-Maturity Investments	6 689 851	4 542 565
Loans and Receivables	4 650 059	2 067 325
	<b>12 426 187</b>	<b>7 098 634</b>

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>31 OPERATIONAL REVENUE</b>		
Augmentation Fees	307 912	2 168 743
Building Plan Fees	1 676 306	1 335 572
Caravan Park Fees	2 040 875	2 017 752
Cemetery Fees	431 045	388 775
Conversion Fees	1 748 082	1 613 508
Insurance Claims	2 208 211	-
Prints	7 363	11 121
Sundry Income	3 507 966	2 740 671
Tender Documents	48 105	78 309
Town Planning Fees	590 174	328 094
<b>Total Operational Revenue</b>	<b>12 566 040</b>	<b>10 682 545</b>

**31.1 Calculation of Cash Flow:**

Income from Operational Revenue	Note 31	12 566 040	10 682 545
Income from Rental of Facilities and Equipment	Note 29	1 505 650	744 348
Income from Licences and Permits	Note 25	6 877 409	6 065 570
Opening Balance of Debtors: Non-exchange Transactions	Note 4	11 194 941	12 471 920
Closing Balance of Debtors: Non-exchange Transactions	Note 4	(9 440 884)	(11 194 941)
<b>Total Receipts for Operational Revenue</b>		<b>22 703 157</b>	<b>18 769 442</b>

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 23 to 29, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

**32 EMPLOYEE RELATED COSTS**

Employee Related Costs - Salaries and Wages	152 515 791	150 714 416
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	45 857 833	47 932 593
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	15 672 564	15 615 222
Housing Benefits and Allowances	1 899 062	2 310 598
Overtime Payments	11 958 037	11 488 603
Performance Bonuses	139 866	685 121
<b>Total Employee Related Costs</b>	<b>228 043 152</b>	<b>228 746 553</b>

**32.1 Calculation of Cash Flow:**

Employee Related Costs Expenditure	(228 043 152)	(228 746 553)
Opening Balance of Staff Leave Provision	(14 293 355)	(12 133 593)
Closing Balance of Staff Leave Provision	14 561 561	14 293 355
Opening Balance of Provision for Performance Bonuses	(678 671)	(550 316)
Closing Balance of Provision for Performance Bonuses	898 174	678 671
Interest Cost on Employment Benefit Liabilities	8 941 000	8 204 000
Current Service Cost on Employment Benefit Liabilities	5 593 000	4 783 000
Actuarial Gains and Losses on Employment Benefit Liabilities	(9 888 000)	(3 251 000)
Benefits paid	(2 650 000)	(4 226 000)
<b>Total Payments for Employee Related Costs</b>	<b>(225 559 444)</b>	<b>(220 948 435)</b>

No advances were made to employees. Loans to employees are set out in Note 12.



**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>Remuneration of Section 56/57 Employees:</b>		
<b><i>Remuneration of the Municipal Manager</i></b>		
Annual Remuneration	1 085 650	1 004 392
Performance Bonus	75 128	-
Car and Other Allowances	159 172	181 523
Leave Encashment - contract expired	88 956	-
Company Contributions to UIF, Medical and Pension Funds	17 885	12 608
<b>Total</b>	<b>1 426 791</b>	<b>1 198 523</b>
<b><i>Remuneration of the Chief Financial Officer</i></b>		
Annual Remuneration	1 058 333	583 333
Performance Bonus	33 367	-
Car and Other Allowances	100 000	58 333
Cellphone Allowance	14 250	-
Company Contributions to UIF, Medical and Pension Funds	16 402	13 176
<b>Total</b>	<b>1 222 352</b>	<b>654 842</b>
<b>Remuneration of the Acting Chief Financial Officer</b>		
Acting Allowance	-	46 825
	<b>-</b>	<b>46 825</b>
<b><i>Remuneration of the Director: Social Services</i></b>		
Annual Remuneration	936 350	920 023
Car and Other Allowances	144 000	144 000
Company Contributions to UIF, Medical and Pension Funds	15 392	17 391
<b>Total</b>	<b>1 095 742</b>	<b>1 081 414</b>
<b><i>Remuneration of the Director: Administration, Monitoring and Evaluation</i></b>		
Annual Remuneration	984 350	923 198
Performance Bonus	178 200	-
Car and Other Allowances	113 796	110 408
Arbitration Award	264 387	-
Company Contributions to UIF, Medical and Pension Funds	15 488	13 580
<b>Total</b>	<b>1 556 221</b>	<b>1 047 186</b>
<b><i>Remuneration of the Director: Infrastructure, Planning and Development</i></b>		
Annual Remuneration	984 350	923 198
Car and Other Allowances	96 630	96 000
Company Contributions to UIF, Medical and Pension Funds	14 118	18 325
<b>Total</b>	<b>1 095 097</b>	<b>1 037 523</b>
<b>Remuneration of the Acting Director: Infrastructure, Planning and Development</b>		
Acting Allowance	33 044	168 985
	<b>33 044</b>	<b>168 985</b>
<b><i>Remuneration of the Director: Local Economic Development, Tourism and Creative Industries</i></b>		
Annual Remuneration	984 350	923 198
Performance Bonus	129 869	-
Car and Other Allowances	100 731	96 000
Company Contributions to UIF, Medical and Pension Funds	15 488	14 877
<b>Total</b>	<b>1 230 438</b>	<b>1 034 075</b>

**33 REMUNERATION OF COUNCILLORS**

Mayor	590 296	568 509
Speaker	472 235	454 808
Executive Committee Members	2 656 332	2 558 295
Councillors	3 885 919	3 627 081
Company Contributions to UIF, Medical and Pension Funds	189 311	178 228
Other Allowances (Cellular Phones, Housing, Transport, etc)	3 354 905	3 153 244
<b>Total Councillors' Remuneration</b>	<b>11 101 213</b>	<b>10 513 662</b>

**Remuneration of Councillors:**

***In-kind Benefits***

The Councillors occupying the positions of Mayor, Speaker, Chief Whip and four members of the Executive Committee of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

The Mayor has use of a Council owned vehicle for official duties.

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>34 DEPRECIATION AND AMORTISATION</b>		
<b>Depreciation and Amortisation:</b>		
Amortisation: Intangible Assets	42 386	82 989
Depreciation: Property, Plant and Equipment	71 004 648	63 764 337
Total Depreciation and Amortisation	<u><u>71 047 034</u></u>	<u><u>63 847 326</u></u>
<b>35 IMPAIRMENT LOSSES</b>		
<b>35.1 Impairment Losses on Fixed Assets and Financial Assets</b>		
<b>Impairment Losses Recognised:</b>	<u>24 779 495</u>	<u>22 593 439</u>
	<u><u>24 779 495</u></u>	<u><u>22 593 439</u></u>
<b>36 REPAIRS AND MAINTENANCE</b>		
Land and Buildings	1 115 481	643 951
Infrastructure - Electricity	11 694 137	10 814 284
Infrastructure - Road Transport	5 037 705	4 788 158
Infrastructure - Sanitation	1 173 348	1 049 990
Infrastructure - Water	346 153	230 175
Infrastructure - Other	3 591 144	3 316 002
Other Assets	10 242 292	7 649 563
Intangible Assets	887 217	1 123 782
<b>Total Repairs and Maintenance</b>	<u><u>34 087 476</u></u>	<u><u>29 615 905</u></u>
<b>37 FINANCE COSTS</b>		
Creditors Overdue	5 870 158	864 109
Landfill Provision	3 875 971	-
Loans and Payables at amortised cost	4 461 657	7 357 841
Finance Leases	1 283 107	905 562
<b>Total Interest Paid on External Borrowings</b>	<u><u>15 490 893</u></u>	<u><u>9 127 512</u></u>
<b>37.1 Calculation of Cash Flow:</b>		
Finance Cost Expenditure	(15 490 893)	(9 127 512)
Finance Cost on Finance Leases and Borrowings	5 744 764	6 456 259
Interest Charge on the Provision for Landfill Sites	3 875 971	-
<b>Total Payments for Finance Costs</b>	<u><u>(5 870 158)</u></u>	<u><u>(2 671 253)</u></u>
<b>38 BULK PURCHASES</b>		
Electricity	185 413 050	171 711 422
Water	35 205 001	32 297 408
<b>Total Bulk Purchases</b>	<u><u>220 618 051</u></u>	<u><u>204 008 829</u></u>
Expenditure for Repairs and Maintenance	(34 087 476)	(29 615 905)
Expenditure for Bulk Purchases	(220 618 051)	(204 008 829)
Opening Balance of Trade Payables from Exchange Transactions	(114 497 408)	(103 411 563)
Closing Balance of Trade Payables from Exchange Transactions	91 125 488	114 497 408
Opening Balance of Other Payables from Exchange Transactions	(16 124 505)	(12 158 188)
Closing Balance of Other Payables from Exchange Transactions	24 201 441	16 124 505
Opening Balance of VAT Receivable	4 381 953	6 080 734
Closing Balance of VAT Receivable	(11 288 813)	(4 381 953)
Opening Balance of Inventories	5 433 903	4 317 025
Closing Balance of Inventories	(4 952 364)	(5 433 903)
<b>Total Payments for Suppliers</b>	<u><u>(276 425 833)</u></u>	<u><u>(217 990 668)</u></u>
<b>39 CONTRACTED SERVICES</b>		
Cell Phone Contracts	1 048 546	1 066 933
Rental : Machinery, Vehicles and Equipment	10 223 965	7 738 802
Insurance Contract	2 020 740	1 993 605
<b>Total Contracted Services</b>	<u><u>13 293 251</u></u>	<u><u>10 799 341</u></u>

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>40 GRANTS AND SUBSIDIES PAID</b>		
<b>Operational Grants</b>	1 080 000	196 000
Monetary Allocations	<u>1 080 000</u>	<u>196 000</u>
<b>Total Grants and Subsidies Paid</b>	<u><b>1 080 000</b></u>	<u><b>196 000</b></u>
<b>Funded</b>		
Kouga Local Tourism	884 000	
Arts Council	96 000	96 000
Sports Council	100 000	100 000
<b>Total Grants and Subsidies Paid</b>	<u><b>1 080 000</b></u>	<u><b>196 000</b></u>

**41 OPERATIONAL COSTS**

Included in Operational Costs are the following:

Advertising	747 843	369 112
Bank Charges	826 265	638 540
Chemicals & Poison	2 596 336	2 114 296
Clean Up Operation	(287 154)	(198 248)
Cleaning Material	501 167	472 343
Collection Costs	670 661	-
Congress & Delegates Expenses	660 360	605 741
Connection Fees	359 560	565 070
Disaster Expenditure	200 278	126 592
Entertainment	195 784	137 491
Expenditure Incurred From Finance Management Grant	1 456 132	169 684
External Audit Fees	4 240 533	3 415 903
Fuel (Small Plant)	582 726	577 887
Other Expenses	12 145 223	7 678 151
Hire Of Facilities & Equipment	1 418 771	1 332 943
Idp Review	714	-
Insurance	2 416 705	1 993 605
Inventory Items	146 731	42 392
Laboratorium Tests/Analysis	403 343	260 763
Lease Charges	628 873	47 844
Legal Cost	3 286 918	2 054 910
Licences	687 053	690 874
Mayoral Special Programmes	384 437	170 559
Network Connection	26 908	570 480
Planning Fees	468 345	508 864
Postage & Telegrams	1 109 802	1 364 791
Printing And Stationery	666 306	621 395
Refuse Bins/Bags	723 084	612 934
Security	516 859	485 745
St Francis Beach Rehabilitation	-	1 213 453
Statutory Obligations	2 238 873	-
Stock Shortages/Surpluses	32 255	(1 562)
Telephone Cost	3 651 174	3 418 249
Tourism Strategy	65 000	265 000
Training	199 984	135 102
Transport Cost	5 465 990	5 932 625
Uniforms & Protective Clothing	1 069 741	912 325
Valuation Costs	120 479	498 852
Ward Committee Management	312 589	104 409
Website Hosting	7 200	-
<b>Total General Expenses</b>	<u><b>51 086 065</b></u>	<u><b>39 909 115</b></u>

**41.1 Calculation of Cash Flow:**

Expenditure for General Expenses	(51 086 065)	(39 909 115)
Opening Balance of Other Payables from Non-Exchange Transactions	(13 421 060)	(11 864 128)
Closing Balance of Other Payables from Non-Exchange Transactions	12 912 272	13 421 060
Opening Balance of Sundry Deposits Received from Non-Exchange Transactions	(2 732 288)	(2 243 771)
Closing Balance of Sundry Deposits Received from Non-Exchange Transactions	3 293 933	2 732 288
Opening Balance of Operating Lease Receivables	278 803	249 227
Closing Balance of Operating Lease Receivables	(281 727)	(278 803)
Opening Balance of Provision: Rehabilitation of Landfill Sites	(62 173 160)	(38 971 830)
Closing Balance of Provision: Rehabilitation of Landfill Sites	65 207 344	62 173 160
Movement in the Provision: Rehabilitation of Landfill Sites Relating to Interest	(3 875 969)	-
<b>Total for Other Payments</b>	<u><b>(51 877 918)</b></u>	<u><b>(14 691 912)</b></u>

**42 (LOSSES) / GAINS ON DISPOSAL OF CAPITAL ASSETS**

(Loss) / Gains on Sale of Assets	(2 058 422)	26 553
<b>Total (Losses) / Gains on Disposal of Capital Assets</b>	<u><b>(2 058 422)</b></u>	<u><b>26 553</b></u>

**KOUGA LOCAL MUNICIPALITY**  
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	2017 R	2016 R
<b>43 CORRECTION OF ERROR</b>		
Corrections were made during the previous financial years. Details of the corrections are described below:		
<b>43.1 Reclassification of Accumulated Surplus</b>		
The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.		
The effect of the changes are as follows:		
<b>Statement of Financial Position:</b>		<b>Accumulated Surplus</b>
<b>Balances published as at 30 June 2015</b>		<b>2 386 776 416</b>
Correction of Error:-		
Intangible Assets accumulated depreciation prior period balance has been adjusted - Note 10	(302)	
Investment Property prior period balance has been reclassified between owner occupied and leased properties - Note 11	199 012 774	
Property, Plant and Equipment prior period balance has been corrected to recognise properties of the municipality not previously included in the asset register - Note 9	(529 109 451)	
Adjustment for prior period error on accruals previously not accounted for - Note 15	<u>(4 671 909)</u>	(334 768 888)
<b>Restated Balances as at 30 June 2015</b>		<b>2 052 007 528</b>
<b>Statement of Financial Performance</b>		
Transactions incurred for the Year 2015/16		23 880 031
Correction of Error:-		
Adjustment for depreciation of Infrastructure Assets - Note 34	23 444 214	
Adjustment for Subsistence & Travelling (Officials) - Note 32	(67 590)	
Adjustment for Repairs and Maintenance on Plant/Machinery - Note 36	(2 795)	
Adjustment for Repairs and Maintenance on Infrastructure Other - Note 36	(30 155)	
Adjustment for Repairs and Maintenance on Vehicles - Note 36	(186)	
Adjustment for Eskom Bulk Electricity Account - Note 38	(600)	
Adjustment for Operating Costs - Note 39	<u>(744 800)</u>	22 598 089
<b>Restated Balances as at 30 June 2016</b>		<b>2 098 485 648</b>

**43.2 Reclassification of Expenditure**

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality.

The effect of the Correction of Error is as follows:

	Note	Prior Year 2015/16 Expenditure	Current Year 2015/16 Expenditure	Restated Amount
Employee Related Costs	32	228 678 963	228 746 553	-67 590
Remuneration of Councillors	33	10 513 662	10 513 662	-0
Depreciation and Amortisation	34	87 291 540	63 847 326	23 444 214
Impairment Losses	35	22 593 439	22 593 439	0
Repairs and Maintenance	36	29 582 769	29 615 905	-33 136
Finance Costs	37	9 127 512	9 127 512	0
Bulk Purchases	38	204 008 229	204 008 829	-600
Contracted Services	39	10 799 341	10 799 341	0
Grants and Subsidies Paid	40	196 000	196 000	-
Operational Costs	41	50 159 656	28 913 774	21 245 882
Surplus / (Deficit) for the Year		23 880 031	46 478 120	-22 598 089
		<u>676 831 142</u>	<u>665 835 801</u>	<u>10 995 341</u>

Prior year amounts of items in **Expenditure** included in the Statement of Financial Performance have been restated as indicated below:

**Employee Related Costs:**

The employee related costs have been adjusted to correctly reflect subsistence & travelling allowances for the municipal officials.

**Depreciation and Amortisation:**

The prior year amounts for *Depreciation & Amortisation* and Property, Plant & Equipment have been restated to correctly disclose the depreciation for Infrastructure Assets, previously not accounted for.

Furthermore, the prior year amounts for *Depreciation & Amortisation* and Property, Plant & Equipment have been restated to correctly disclose the depreciation for Infrastructure Assets from WIP, previously not capitalised.

**Repairs and Maintenance:**

The prior year amounts for *Repairs & Maintenance* have been restated to correctly disclose the expenditure for Repairs and Maintenance which was not accrued for.

**Bulk Purchases:**

The bulk purchases relate to Eskom Bulk Account previously not accrued for.

**General Expenses:**

The prior year general expenses adjustments relate to accruals previously not accounted for.

**43.3 Reclassification of Statement of Financial Position**

**KOUGA LOCAL MUNICIPALITY**  
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The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the municipality.

**The effect of the Correction of Error is as follows:**

	<b>Note</b>	<b>Prior Year 2015/16 Balance</b>	<b>Current Year 2015/16 Balance</b>	<b>Restated Amount</b>
<b>Current Assets</b>				
Inventories	2	5 433 902	5 433 903	(0)
Receivables from Exchange Transactions	3	48 615 571	48 615 571	-
Receivables from Non-exchange Transactions	4	29 302 917	29 119 413	183 504
VAT Receivable	5	4 353 896	4 381 953	(28 057)
Cash and Cash Equivalents	6	78 573 452	78 573 452	-
Operating Lease Receivables	7	278 803	278 803	-
Current Portion of Long-term Receivables	8	3 000	3 000	-
<b>Non-Current Assets</b>				
Property, Plant and Equipment	9	2 532 215 227	2 028 049 683	504 165 544
Intangible Assets	10	158 583	146 585	11 998
Investment Property	11	85 381 710	285 199 244	(199 817 534)
Long-term Receivables	12	167 601	167 601	-
<b>Current Liabilities</b>				
Consumer Deposits	13	(9 590 330)	(9 590 330)	-
Provisions	14	(31 715 636)	(22 109 217)	(9 606 420)
Payables from Exchange Transactions	15	(122 966 569)	(130 621 914)	7 655 344
Payables from Non-exchange Transactions	16	(16 153 347)	(16 153 347)	-
Unspent Conditional Grants and Receipts	17	(7 841 525)	(7 841 525)	-
Current Portion of Long-term Liabilities	19	(7 735 833)	(7 735 833)	0
<b>Non-Current Liabilities</b>				
Long-term Liabilities	19	(37 504 424)	(37 504 424)	(1)
Retirement Benefit Liabilities	20	(79 435 999)	(91 046 000)	11 610 000
Non-current Provisions	21	(60 884 551)	(58 880 970)	(2 003 581)
<b>Net Assets</b>				
Accumulated Surplus / (Deficit)	22	(2 410 656 447)	(2 098 485 648)	(312 170 799)
		<b>0</b>	<b>1</b>	<b>(1)</b>

Opening balances and prior year amounts of items in the Statement of Financial Position have been restated as indicated below:

**Receivables from Non-exchange Transactions:**

The **opening balance** of *Receivables from Non-exchange Receivables* have been restated to correctly disclose the amount for sundry debtors, previously recognised in Non-exchange Payables.

Furthermore, the **opening balances** of *Receivables from Non-exchange Transactions* have been restated to correctly disclose the amount for retentions on upgrade of electricity infrastructure project paid out at year-end, previously recognised in Non-exchange Receivables.

**VAT Receivable**

The **opening balances** of *VAT Receivable* have been restated to correctly disclose the amount for VAT.

**Property, Plant and Equipment and Investment Property:**

The prior period balance relating to Property Plant & Equipment (Land & Buildings) and Investment Property (Land & Buildings) has been corrected for classification errors identified between owner occupied and leased properties.

The prior period balance has also been corrected to recognise properties of Kouga Local Municipality not previously included in the asset register for which Kouga Local Municipality either owns per Deeds, exercises control and/or reflect Kouga as owner/debtor per Valuation Roll. This excludes RDP housing.

In addition, for all properties, Property Plant and Equipment (Buildings) and Investment Property (Buildings) a correction relating to residual values has been implemented. Residual values were previously estimated as zero but have now been corrected and re-estimated to the Market Value per the Valuation Roll. This resulted in restatements of accumulated depreciation on all buildings previously depreciated.

Other assets have been restated for assets verified at the end of the 2016/17 financial year but that were never included in the asset register previously. Costs were deemed for these assets as part of the restatement for take on and were then depreciated.

Infrastructure and Work in Progress balances were restated. Work in progress was corrected for payments included in error not of a capital nature as well as payments for projects not previously included in the balance of Work in Progress. The restatement also includes capitalisation of projects to infrastructure that were complete in previous years but were never transferred to Infrastructure. Furthermore, completeness issues were identified on roads, stormwater, street lights and high mast lights. These were restated with costs being deemed per GRAP requirements and depreciated.

**Intangible Assets:**

Intangible Assets accumulated depreciation prior period balance has been adjusted to reflect the correct carrying value of Intangible Assets as per Asset Register.

**Provisions:**

The **opening balance** of *Provisions* has been reclassified to Employee Retirement Benefit Liabilities in compliance with GRAP 25.

**Payables from Exchange Transactions:**

The **opening balances** of *Payables from Exchange Transactions* have been restated to correctly disclose the liability for Workmen's Compensation Insurance, previously not assessed and accrued for.

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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**Payables from Non-exchange Transactions:**

The **opening balance** of Payables from Non-exchange Transactions have been restated to correctly disclose the amount for sundry debtors, previously recognised in Non-exchange Payables.

**Retirement Benefit Liabilities:**

The **opening balances** of Retirement Benefit Liabilities have been restated to correctly disclose the amount for Long-Service Bonus in terms of GRAP 25, previously recognised as a non-current provision and provisions.

**Non-current Provisions:**

The **opening balances** of Non-current Provisions have been reclassified to Retirement Benefit Liabilities in compliance with GRAP 25.

**44 CHANGE IN ACCOUNTING ESTIMATES**

**Property, Plant and Equipment**

The useful life of certain items of Property, Plant and Equipment were revised during the current financial year. The effect of the revision has decreased the depreciation charge in the current financial years by R3,380,719 and changed the depreciation in the future period as set out in the below table.

	Change in Estimate 2017	Change in Estimate 2018	Change in Estimate 2019	Change in Estimate 2020	Change in Estimate 2021
PPE	(R 3 380 719)	(R 3 143 181)	R 1 496 646	R 2 732 658	R 2 611 644

**Intangibles**

The useful life of certain items of Intangible Assets were revised during the current financial year. The effect of the revision has decreased the depreciation charge in the current financial years by R27,063 and changed the depreciation in the future period as set out in the below table.

	Change in Estimate 2017	Change in Estimate 2018	Change in Estimate 2019	Change in Estimate 2020	Change in Estimate 2021
Intangibles	(R27 063)	(R 6 990)	R 11 351	R 11 351	R 11 351

**45 CASH GENERATED BY OPERATIONS**

Surplus / (Deficit) for the Year	4 503 220	46 478 120
Adjustment for:		
Changes in Accounting Policies	-	-
Correction of Prior Year Errors	-	-
Appropriations to/from Internal Reserves	-	-
Depreciation and Amortisation	71 047 034	63 847 326
Impairment Losses on Property, Plant and Equipment	967 177	-
Impairment Losses on Receivables from non-exchange transactions	23 723 841	22 593 439
Impairment Losses on Long Term Receivables	88 479	-
Amounts written off as uncollectable from non-exchange and exchange receivables	(10 954 627)	(6 941 000)
Losses / (Gains) on disposal of Property, Plant and Equipment	2 058 422	(26 553)
Finance cost on finance leases and annuity loans	5 744 764	6 456 259
Actuarial gains on retirement benefits, long services awards and ex-gratia pension	(9 888 001)	(3 251 000)
Current Service Costs on retirement benefits, long services awards and ex-gratia pension	5 593 000	4 783 000
Benefits paid on retirement benefits, long services awards and ex-gratia pension	(2 650 000)	(4 226 000)
Interest cost on retirement benefits, long services awards and ex-gratia pension	8 941 000	8 204 000
Increase in bonus and leave pay provision	487 709	2 288 117
Movement in provisions for rehabilitation of landfill sites	3 034 184	23 201 330
<b>Operating surplus before working capital changes</b>	<b>102 696 202</b>	<b>163 407 038</b>
Decrease/(Increase) in Inventories	481 539	(1 116 878)
Decrease/(Increase) in Receivables from Exchange Transactions	(2 989 616)	(12 368 248)
Decrease/(Increase) in Receivables from Non-exchange Transactions	(5 505 345)	(1 738 942)
Decrease/(Increase) in VAT Receivable	(6 906 860)	1 698 781
Decrease/(Increase) in Operating Lease Assets	(2 924)	(29 576)
Increase/(Decrease) in Consumer Deposits	682 761	997 719
Increase/(Decrease) in Payables from Exchange Transactions	(15 294 984)	15 052 163
Increase/(Decrease) in Payables from Non-exchange Transactions	52 857	2 045 448
Increase/(Decrease) in Conditional Grants and Receipts	(1 114 802)	2 011 166
<b>Cash generated by / (utilised in) Operations</b>	<b>72 098 827</b>	<b>169 958 671</b>

**46 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**

Long-term Liabilities (see note 19)	41 167 098	45 240 257
Used to finance Property, Plant and Equipment	(41 167 098)	(45 240 257)
	<u>-</u>	<u>-</u>

**KOUGA LOCAL MUNICIPALITY**  
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R

2016  
R

**47 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**47.1 Unauthorised Expenditure**

Reconciliation of Unauthorised Expenditure:

Opening balance	369 440 187	369 440 187
Unauthorised Expenditure current year	-	-
Approved by Council or condoned	(288 031 664)	-
Unauthorised Expenditure awaiting authorisation	<u>81 408 523</u>	<u>369 440 187</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted votes exceeded:-</i>	
- Executive & Council - R 0 (2016: R0)	None
- Financial Services - R0 (2016: R0)	None
- Administration, Monitoring & Evaluation - R0 (2016: R0)	None
- Led, Tourism & Creative Industries - R 0 (2016: R0)	None
- Infrastructure, Planning & Development - R0 (2016: R0)	None
- Social Services - R0 (2016: R0)	None
<b>2009/10</b>	
The 2009/2010 approved budget was over spent by R 81,408,523	Currently None - subject to possible future investigation

**47.2 Fruitless and Wasteful Expenditure**

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	34 805 555	33 941 446
Fruitless and Wasteful Expenditure current year	532 632	864 109
Fruitless and Wasteful Expenditure awaiting condonement	<u>35 338 187</u>	<u>34 805 555</u>

Incident	Amount	Disciplinary Steps / Criminal Proceedings
<b>2008/2009:</b>		
Interest on late payment of trade creditors	347 882	Currently None - subject to possible future investigation
Penalty on the late submission of the Employer Reconciliation Declaration (EMP501)	1 108 679	Currently None - subject to possible future investigation
Payments made to directors while on suspension for more than six months	1 500 000	Currently None - subject to possible future investigation
The municipality engaged in illegal dumping activities at Paradise Beach Transfer where the Department of Economic Development and Environmental Affairs intervened to stop the municipality from engaging in the illegal activities. The municipality incurred fruitless and wasteful expenditure as a result of the illegal dumping.	510 000	Currently None - subject to possible future investigation
<b>2009/2010:</b>		
Interest on overdue accounts 2009/10	638 116	Currently None - subject to possible future investigation
Prolonged staff suspension	1 165 345	Currently None - subject to possible future investigation
<b>2010/2011:</b>		
Interest on late payment of trade creditors	2 268 205	Currently None - subject to possible future investigation
Payments made to directors while on suspension for more than six months	1 615 732	Currently None - subject to possible future investigation
Prolonged staff suspension (Mr. F. Dennis)	1 000 416	Currently None - subject to possible future investigation
<b>2011/2012:</b>		
Interest on late payment of trade creditors	4 740 237	Currently None - subject to possible future investigation
Penalty on the late payment on SARS account	2 429 632	Currently None - subject to possible future investigation
Settlement paid out for previous MM's contract (Dr. E.M. Rankwana)	859 401	Currently None - subject to possible future investigation
Legal cost due to unfair dismissal of Mr Fred Dennis	1 500 000	Currently None - subject to possible future investigation
<b>2012/2013:</b>		
Interest and penalties on late payment of trade creditors (Including SARS accounts)	9 447 636	Currently None - subject to possible future investigation
<b>2013/2014:</b>		
Interest and penalties on late payment of trade creditors (Including SARS accounts)	2 305 973	Currently None - subject to possible future investigation
<b>2014/2015:</b>		
Interest and penalties on late payment of trade creditors (Including SARS accounts)	2 502 234	Currently None - subject to possible future investigation
Salary erroneously paid to former employee after his services were terminated.	1 958	Currently None - subject to possible future investigation
	<u>2 504 192</u>	
<b>2015/2016:</b>		
Interest and penalties on late payment of trade creditors	864 109	Currently None - subject to possible future investigation
<b>2016/2017:</b>		
Interest and penalties on late payment of trade creditors	532 632	Currently None - subject to possible future investigation

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	2017 R	2016 R
<b>47.3 Irregular Expenditure</b>		
Reconciliation of Irregular Expenditure:		
Opening balance	92 593 022	90 210 967
Irregular Expenditure current year	6 275 913	2 382 054
Irregular Expenditure awaiting condonement	<u>98 868 934</u>	<u>92 593 022</u>

Incident	Amount	Disciplinary Steps / Criminal Proceedings
<b>2007/2008:</b>		
Irregular expenditure incurred on study loans to employees contrary to section 164(1)(c) of the MFMA	401 371	Currently None - subject to possible future investigation
Performance bonuses paid to section 57 employees contrary to regulation 8, 23 and 34 of GRN 805 of August 2006, read with section 129(1) of the MFMA.	358 665	Currently None - subject to possible future inv
	<b>760 036</b>	
<b>2008/2009:</b>		
Contrary to regulation 12, 16 and 17 of the Supply Chain Management Police, the municipality acquired goods and services without obtaining three written quotations.	428 095	Currently None - subject to possible future investigation
Payments were made to a supplier that did not follow the competitive bid process that was contrary to the GRN 868 of May 2005: Municipal Supply Chain Management Regulations, in terms of Regulation 19.	999 213	Currently None - subject to possible future investigation
Inventory was written-off (medical stock) in the Annual Financial Statements as a result of differences between actual stock and stock records. (Section 125(2)(d)(i) of the MFMA).	1 100 000	Currently None - subject to possible future investigation
Receipts were misappropriated from the caravan park. (Section 125(2)(d)(i) of the MFMA).	40 000	Currently None - subject to possible future investigation
A tender was awarded to a business associate of one of the directors of the municipality. An investigation was conducted which indicated irregularities over the bid process.	13 800 000	Currently None - subject to possible future investigation
Contrary to the Regulation 12 of the GRN 868 of 30 May 2005: Municipal Supply Chain Management Regulations, transactions occurred involving business of family members of officials of the municipality who did not follow the procurement process with regards to the quotation process.	58 034	Currently None - subject to possible future investigation
Forensic investigation indicated that payments had been made for which the work had not been complete or the proper procurement processes followed for the construction of a cottage in terms of the GRN 868 of 30 May 2005: Municipal Supply Chain Management Regulations.	108 554	Currently None - subject to possible future investigation
Forensic investigation indicated that two municipal officials did not follow the GRN 868 of 30 May 2005: Municipal Supply Chain Management Regulations and as a result, funds may have been misappropriated.	1 800 000	Currently None - subject to possible future investigation
The signature of a municipal official requesting services for the cutting of grass was found to be forged on the municipality's requisitions.	19 500	Currently None - subject to possible future investigation
Contrary to regulation 12, 16 and 17 of the Supply Chain Management Policy, the municipality did not obtain three written quotations when procuring goods or services from close family members of persons in the service of the state.	1 479 477	Currently None - subject to possible future investigation
Procurement irregularities occurred regarding a cell phone contract which was entered into with a service provider in terms of Regulation 19 of the GRN 868 of 30 May 2005: Municipal Supply Chain Management Regulations.	6 500 000	Currently None - subject to possible future inv
	<b>26 332 873</b>	
<b>2010/2011:</b>		
Overpayment of acting allowances to officials	1 144 228	Currently None - subject to possible future investigation
Supply chain compliance not followed	3 718 462	Currently None - subject to possible future inv
	<b>4 862 690</b>	
<b>2011/2012:</b>		
Supply chain compliance not followed	10 129 648	Currently None - subject to possible future investigation
Supply chain compliance not followed	5 837 533	Currently None - subject to possible future investigation
	<b>15 967 181</b>	



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		2017 R	2016 R
<b>2012/2013:</b>			
Supply chain compliance not followed	106 318	Currently None - subject to possible future investigation	
Supply chain compliance not followed	19 913 596	Currently None - subject to possible future investigation	
Supply chain compliance not followed	11 096 235	Currently None - subject to possible future investigation	
	<b>31 116 149</b>		
<b>2013/2014:</b>			
Supply chain compliance not followed	1 425 255	Currently None - subject to possible future investigation	
Supply chain compliance not followed	634 586	Currently None - subject to possible future investigation	
Supply chain compliance not followed	261 338	Currently None - subject to possible future investigation	
Supply chain compliance not followed	110 445	Currently None - subject to possible future investigation	
Supply chain compliance not followed	137 670	Currently None - subject to possible future investigation	
	<b>2 569 294</b>		
<b>2014/2015:</b>			
Supply chain compliance not followed	24 681	Currently None - subject to possible future investigation	
Invalid deviations	8 578 062	Currently None - subject to possible future investigation	
	<b>8 602 743</b>		
<b>2015/2016:</b>			
Supply chain compliance not followed	260 306	Currently None - subject to possible future investigation	
HR recruitment processes not followed	244 596	Currently None - subject to possible future investigation	
Acting directors acted for more than 3 months	215 810	Currently None - subject to possible future investigation	
Supply chain compliance not followed	59 303	Currently None - subject to possible future investigation	
Invalid deviations	1 602 041	Currently None - subject to possible future investigation	
	<b>2 382 056</b>		
<b>2016/2017:</b>			
Invalid deviations	6 275 913	Currently None - subject to possible future investigation	
	<b>6 275 913</b>		

**48 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**48.1 Contributions to organised local government - SALGA**

Opening Balance	-	2 167 250
Council Subscriptions	2 238 873	-
Amount Paid - current year	(2 238 873)	(2 167 250)
<b>Balance Unpaid (included in Creditors)</b>	<b>-</b>	<b>-</b>

**48.2 Audit Fees**

Opening Balance	2 307 621	4 336 647
Current year Audit Fee	4 240 533	2 307 621
Amount Paid - current year	(5 738 997)	(4 336 647)

<b>Balance Unpaid (included in Creditors)</b>	<b>809 157</b>	<b>2 307 621</b>
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**48.3 VAT**

The net of VAT input payables and VAT output receivables are shown in Note 5. All VAT returns have been submitted by the due date throughout the year.

**48.4 PAYE, Skills Development Levy and UIF**

Opening Balance	2 518 209	-
Current year Payroll Deductions	28 400 250	28 417 853
Amount Paid - current year	(30 918 459)	(25 899 644)

<b>Balance Unpaid (included in Creditors)</b>	<b>-</b>	<b>2 518 209</b>
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**48.5 Pension and Medical Aid Deductions**

Opening Balance	-	2 457 688
Current year Payroll Deductions and Council Contributions	53 183 020	52 192 038
Amount Paid - current year	(53 183 020)	(54 649 726)

<b>Balance Unpaid (included in Creditors)</b>	<b>-</b>	<b>-</b>
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**KOUGA LOCAL MUNICIPALITY**  
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	2017 R	2016 R
<b>48.6 Councillor's arrear Consumer Accounts</b>		
The following Councillors had arrear accounts outstanding for more than 90 days as at:		
<b>30 June 2017</b>		<b>Outstanding more than 90 days</b>
Councillor Februarie		115 934
<b>Total Councillor Arrear Consumer Accounts</b>		<b>115 934</b>
<b>30 June 2016</b>		<b>Outstanding more than 90 days</b>
Councillor Kettledas		3 794
Councillor Baxter		15
<b>Total Councillor Arrear Consumer Accounts</b>		<b>3 810</b>

**48.7 Non-Compliance with the Municipal Finance Management Act**

No known matters existed at reporting date.

**48.8 Deviation from, and ratification of minor breaches of, the Procurement Processes**

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the Municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Date	Successful Tenderer	Reason	Amount
Finance	Year 2016/17	Various Occasions (96)	Various reasons such as impracticality/ urgency/ Preferred supplier/ Original Equipment	5 896 775,49
96 Occasions during the financial year procuring various services amounting to R5,896,775.49				
Infrastructure, Planning & Development	Year 2016/17	Various Occasions (15)	Various reason such as impracticality/ urgency/ Preferred supplier	1 499 105,97
15 Occasions during the financial year procuring various services amounting to R1,499,105.97				
Administration, Monitoring & Evaluation	Year 2016/17	An Occasion (1)	Various reason such as impracticality/ urgency/ Preferred supplier	1 166 801,27
1 Occasion during the financial year procuring various services amounting to R1,166,801.27				
Social Services	Year 2016/17	Various Occasions (10)	Various reason such as Sole Supplier authorised by govt departments/	592 222,65
10 Occasions during the financial year procuring various services amounting to R592,222.65				
				<b>9 154 905,38</b>

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>48.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA</b>		
Material Electricity and Water Losses were as follows and are not recoverable:		

**Electricity:**

		Lost Units	Tariff	Value
<b>30 June 2017</b>	Unaccounted Electricity Losses	35 453 122	0,7862	27 873 245
<b>30 June 2016</b>	Unaccounted Electricity Losses	10 681 244	0,9700	10 323 210

Electricity Losses occur due to *inter alia*, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

	2017 kWh	2016 kWh
<b>Volumes in kWh/year:</b>		
System Input Volume	203 652 576	198 692 285
Billed Consumption	(168 199 454)	(172 115 658)
Unaccounted	35 453 122	26 576 627
Normal distribution losses - (8%) of electricity purchases	(16 292 206)	(15 895 383)
Loss	<b>19 160 916</b>	<b>10 681 244</b>
Percentage Distribution Loss	9,41%	5,38%

**Water:**

		Lost Units	Tariff	Value
<b>30 June 2017</b>	Unaccounted Water Losses	3 643 263	5,7400	20 912 330
<b>30 June 2016</b>	Unaccounted Water Losses	3 785 682	5,2700	19 950 544

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

	2017 kl	2016 kl
<b>Volumes in Kl/year:</b>		
System Input Volume	9 471 235	9 803 846
Billed Consumption	(5 827 972)	(6 018 164)
Distribution Loss	3 643 263	3 785 682
Percentage Distribution Loss	38,47%	38,61%

**49 COMMITMENTS FOR EXPENDITURE**

**49.1 Capital Commitments**

Commitments in respect of Capital Expenditure:

**- Approved and Contracted for:-**

Infrastructure  
Community  
Finance

**Total Capital Commitments**

This expenditure will be financed from:

Internal Funding  
Grant Funding

<b>29 220 511</b>	<b>90 680 657</b>
9 882 449	64 921 617
9 739 376	15 419 354
9 598 686	10 339 686
<b>29 220 511</b>	<b>90 680 657</b>
23 783 442	40 267 262
5 437 069	50 413 395
<b>29 220 511</b>	<b>90 680 657</b>

**49.2 Lease Commitments**

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 18 and 19.

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

		2017 R	2016 R
<b>50 FINANCIAL INSTRUMENTS</b>			
<b>50.1 Classification</b>			
<b>FINANCIAL ASSETS:</b>			
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:			
	<u><b>Financial Assets</b></u>	<u><b>Classification</b></u>	
<b>Long-term Receivables</b>			
Debtors Capitalised Loans	Amortised cost	(214 710)	(126 231)
Study Cost Loans	Amortised cost	79 122	175 343
<b>Receivables from Exchange Transactions</b>			
Electricity	Amortised cost	18 540 058	24 712 027
Refuse	Amortised cost	554 213	1 023 679
Sewerage	Amortised cost	2 172 425	2 540 942
Water	Amortised cost	5 944 016	5 743 790
Other Receivables	Amortised cost	15 348 068	14 595 134
<b>Receivables from Non-exchange Transactions</b>			
Assessment Rates Debtors	Amortised cost	17 574 176	17 044 546
Sundry Deposits	Amortised cost	-	-
Sundry Debtors	Amortised cost	13 331 323	12 042 687
Suspense Accounts	Amortised cost	1 350	1 350
<b>Cash and Cash Equivalents</b>			
Call Deposits	Amortised cost	78 566 856	75 798 167
Bank Balances	Amortised cost	5 694 930	2 783 364
Cash Floats and Advances	Amortised cost	(8 079)	(8 079)
<b>Current Portion of Long-term Receivables</b>			
Debtors Capitalised Loans	Amortised cost	-	-
Sale of Stand Loans	Amortised cost	14 371	7 742
Study Cost Loans	Amortised cost	3 000	3 000
<b>SUMMARY OF FINANCIAL ASSETS</b>			
<b>Financial Assets at Amortised Cost:</b>			
Long-term Receivables	Debtors Capitalised Loans	(214 710)	(126 231)
Long-term Receivables	Sale of Stand Loans	(14 371)	(7 742)
Long-term Receivables	Study Cost Loans	79 122	175 343
Receivables from Exchange Transactions	Electricity	18 540 058	24 712 027
Receivables from Exchange Transactions	Refuse	554 213	1 023 679
Receivables from Exchange Transactions	Sewerage	2 172 425	2 540 942
Receivables from Exchange Transactions	Water	5 944 016	5 743 790
Receivables from Exchange Transactions	Other Debtors	15 348 068	14 595 134
Receivables from Non-exchange Transactions	Assessment Rates Debtors	17 574 176	17 044 546
Receivables from Non-exchange Transactions	Sundry Debtors	13 331 323	12 042 687
Receivables from Non-exchange Transactions	Other Control Accounts	1 350	1 350
Current Portion of Long-term Receivables	Sale of Stand Loans	14 371	7 742
Current Portion of Long-term Receivables	Study Cost Loans	3 000	3 000
Cash and Cash Equivalents	Call Deposits	78 566 856	75 798 167
Cash and Cash Equivalents	Notice Deposits	-	-
Cash and Cash Equivalents	Bank Balances	5 694 930	2 783 364
		<u>157 589 930</u>	<u>156 368 628</u>
<b>Financial Assets at Fair Value:</b>			
Cash and Cash Equivalents	Cash Floats and Advances	(8 079)	(8 079)
		<u>(8 079)</u>	<u>(8 079)</u>
<b>Total Financial Assets</b>		<u>157 581 851</u>	<u>156 360 549</u>

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

		2017 R	2016 R
<b>FINANCIAL LIABILITIES:</b>			
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
<u>Financial Liabilities</u>	<u>Classification</u>		
<b>Long-term Liabilities</b>			
Annuity Loans	Amortised cost	30 289 374	36 728 888
Finance Lease Liabilities	Amortised cost	2 277 822	775 536
<b>Payables from Exchange Transactions</b>			
Trade Creditors	Amortised cost	91 125 488	114 497 408
Retentions	Amortised cost	3 098 325	3 058 792
Other Creditors	Amortised cost	21 103 116	13 065 713
<b>Payables from Non-exchange Transactions</b>			
Suspense Accounts	Amortised cost	12 912 272	13 421 060
Sundry Deposits	Amortised cost	3 293 933	2 732 288

**SUMMARY OF FINANCIAL LIABILITIES**

<b>Financial Liabilities at Amortised Cost:</b>			
Payables from Exchange Transactions	Trade Creditors	91 125 488	114 497 408
Payables from Exchange Transactions	Retentions	3 098 325	3 058 792
Payables from Exchange Transactions	Other Creditors	21 103 116	13 065 713
Payables from Non-exchange Transactions	Suspense Accounts	12 912 272	13 421 060
Payables from Non-exchange Transactions	Sundry Deposits	3 293 933	2 732 288
		<u>172 700 232</u>	<u>192 015 518</u>
<b>Total Financial Liabilities</b>		<u>172 700 232</u>	<u>192 015 518</u>

**50.2 Fair Value**

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

**Cash**

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

**Long-term Investments**

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

**Loan Receivables/Payables**

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

**Trade and Other Receivables/Payables**

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

**Other Financial Assets and Liabilities**

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

**Long-term Liabilities**

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2017, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the municipality have been reclassified during the year.

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**                      **2016**  
**R**                              **R**

**50.3 Capital Risk Management**

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2016.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 22 and the Statement of Changes in Net Assets.

**Gearing Ratio**

**2017**                      **2016**  
**R**                              **R**

The gearing ratio at the year-end was as follows:

Debt	41 167 098	45 240 257
Cash and Cash Equivalents	(78 558 777)	(75 790 088)
Net Debt	<u>(37 391 679)</u>	<u>(30 549 831)</u>
Equity	<u>2 102 988 868</u>	<u>2 098 485 648</u>
<b>Net debt to equity ratio</b>	<u><b>-1,78%</b></u>	<u><b>-1,46%</b></u>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

**50.4 Financial Risk Management Objectives**

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

**50.5 Significant Risks**

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

<b>2017</b>	<b>2016</b>
<b>R</b>	<b>R</b>

**Market Risk**

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Credit Risk**

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

**Liquidity Risk**

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 50.8 to the Annual Financial Statements.

***50.6 Market Risk***

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 50.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

***50.6.1 Foreign Currency Risk Management***

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

***50.6.2 Interest Rate Risk Management***

*Interest Rate Risk* is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

**Interest Rate Sensitivity Analysis**

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 50.8 below:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>Receivables from Non-exchange Transactions</b>		
Group 1	28 129 934	17 528 440
<b>Total Receivables from Non-exchange Transactions</b>	<u><u>28 129 934</u></u>	<u><u>17 528 440</u></u>

**Credit quality Groupings:**

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

None of the financial assets that are fully performing have been renegotiated in the last year.



**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**50 FINANCIAL INSTRUMENTS (Continued)**

**50.7 Liquidity Risk Management**

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 46 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

**Liquidity and Interest Risk Tables**

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
#	%	R	R	R	R	R	R	R
<b>30 June 2017</b>								
Non-interest Bearing		0,00%	131 533 134	131 533 134	-	-	-	-
- Payables from Exchange transactions			115 326 930	115 326 930	-	-	-	-
- Payables from Non-exchange transactions			16 206 204	16 206 204	-	-	-	-
			-					
Fixed Interest Rate Instruments			41 167 019	4 554 834	4 045 067	8 964 664	23 602 454	-
- DBSA		11,18%	36 696 687	3 124 795	3 303 363	7 179 375	23 089 154	-
- ABSA		14,50%	37 538	7 186	9 589	20 763	-	-
- Financial Lease Obligation		24,88%	4 432 794	1 422 853	732 115	1 764 526	513 300	-
			<b>172 700 153</b>	<b>136 087 969</b>	<b>4 045 067</b>	<b>8 964 664</b>	<b>23 602 454</b>	<b>-</b>
<b>30 June 2016</b>								
Non-interest Bearing			146 775 261	146 775 261	-	-	-	-
- Payables from Exchange transactions			130 621 914	130 621 914	-	-	-	-
- Payables from Exchange transactions			16 153 347	16 153 347	-	-	-	-
			-					
Fixed Interest Rate Instruments			42 485 864	2 787 043	2 964 597	6 444 934	24 160 982	6 128 309
- DBSA		11,18%	42 439 445	2 785 117	2 957 642	6 428 158	24 140 219	6 128 309
- ABSA		14,50%	46 419	1 926	6 955	16 776	20 763	-
- Financial Lease Obligation		24,88%	2 754 394	928 601	1 050 253	775 540	-	-
			<b>192 015 519</b>	<b>149 562 304</b>	<b>2 964 597</b>	<b>6 444 934</b>	<b>24 160 982</b>	<b>6 128 309</b>

At the year-end it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the amount included above is nil.

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
#	%	R	R	R	R	R	R	R
<b>30 June 2017</b>								
Non-interest Bearing			184 986 605	184 977 919	8 686	-	-	-
- Long-term Receivables			296 832	288 147	8 686	-	-	-
- Trade Receivables from Exchange Transactions			124 533 889	124 533 889	-	-	-	-
- Trade Receivables from Non-exchange Transactions			60 163 963	60 163 963	-	-	-	-
- Cash and Cash Equivalents			(8 079)	(8 079)	-	-	-	-
Variable Interest Rate Instruments			84 261 785	84 261 785	-	-	-	-
- Call Deposits		6,55%	78 566 856	78 566 856	-	-	-	-
- Bank Account		5,50%	5 694 930	5 694 930	-	-	-	-
			<b>269 248 390</b>	<b>269 239 704</b>	<b>8 686</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>30 June 2016</b>								
Non-interest Bearing			176 499 385	175 674 419	5 371	819 595	-	-
- Long-term Receivables			304 574	(520 392)	5 371	819 595	-	-
- Trade Receivables from Exchange Transactions			121 544 273	121 544 273	-	-	-	-
- Trade Receivables from Non-exchange Transactions			54 658 617	54 658 617	-	-	-	-
- Cash and Cash Equivalents			(8 079)	(8 079)	-	-	-	-
Variable Interest Rate Instruments			78 581 531	78 581 531	-	-	-	-
- Call Deposits		5,99%	75 798 167	75 798 167	-	-	-	-
- Bank Account		4,90%	2 783 364	2 783 364	-	-	-	-
			<b>255 080 916</b>	<b>254 255 950</b>	<b>5 371</b>	<b>819 595</b>	<b>-</b>	<b>-</b>

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**                      **2016**  
**R**                              **R**

**51 RELATED PARTY TRANSACTIONS**

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

**51.1 Compensation of Related Parties**

Name of Related Person	Designation	Amount	Description of Related Party Relationship
S. Meleni	Official	233 358	Wife of councillor Meleni
M. Jenneker	Official	226 519	Daughter of the Manager Expenditure
N. Baartman	Official	250 847	Daughter of the Manager Asset & Fleet
B. Marais	Official	300 039	Son of the Manager Technical Services

**51.2 Purchases from Related Parties**

Listed below are the transactions with related parties during the financial year 2016/2017

Company Name	Related Person	Municipal Capacity	Description of Related Party	Purchases for the
Central Bridge Trading 436 CC	Z Thume	Official	Wife of the Director	134 310,80
Kwa Nandipha Catering	P Dondashe	Official	Husband of Director	140 339,00
Algoatime	J Beda	Official	Husband of Director	65 969,79
Alvivet (Prt) Ltd	N Zode	Official	Wife of the Director	404 484,00
<b>Total Purchases</b>				<b>801 643,59</b>

Refer to note 32 and 33 for remuneration of senior management and note 48.6 for councillors outstanding municipal accounts.

**52 CONTINGENT LIABILITIES**

**52.1 Court Proceedings:**

**49 241 207**                      **109 495 066**

(i) Council is involved in a dispute with different individuals as at 30 June 2017:

Claims against the municipality	46 177 775	108 243 375
Possible legal fees	3 063 432	1 251 691

Detailed Description		
Savage unfair dismissal	250 000	250 000
Snyders unfair dismissal	210 000	210 000
Jansen outstanding leave monies	191 275	191 275
Rabela & 11 others promotion dispute	30 000	30 000
Luthuli & others promotion dispute	-	345 000
Blouw & others recoup overpayment	400 000	400 000
Gysman claim for ex-gratia payment	100 000	100 000
Roodt unfair dismissal	-	90 000
Vumazonke unfair dismissal	-	40 000
Myaneko & 11 others enforce a settlement agreement	100 000	100 000
L Syce legal opinion	-	29 681
Ziboti applied for condonation	-	25 000
Gysman unfair dismissal	180 000	-
GCG consulting Engineers breach of contract	20 900 000	20 900 000
Tauris garden breach of contract	1 960 000	56 000 000
Eviction of Unlawful occupiers from Erf 3060, Erf 3523, Erf 3769	-	32 000
B Ntlini Erf 3060 Humansdorp eviction	7 000	-
F Mema Erf 1104 Hankey eviction	7 000	-
Atkinson damage to property	9 300 000	15 000 000
Landman & co transfer into the name of New Gospel Church	-	8 600
Impelelo Construction High court action	2 800 000	2 800 000
Plaatjies High court claim	12 100 000	12 100 000
FL Becker/ St Francis Links High court application	-	150 000
Armand Bester High court claim	-	197 000
Cape Retirement Fund claim for payment of contributions	166 500	166 500
Port St Francis Harbour High court application	-	100 000
Liyasakha Trading & Kouga Plant for Arbitration	524 584	-
Mr Mullins Erf 324 Jeffreys Bay	14 848	-
<b>TOTAL</b>	<b>49 241 207</b>	<b>109 265 056</b>

**KOUGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>53 CONTINGENT ASSETS</b>		
<b>53.1 Insurance Claims:</b>	<b>1 271 590</b>	<b>10 639 057</b>
(i) Lost / Damaged Assets:	1 271 590	10 639 057

**54 IN-KIND DONATIONS AND ASSISTANCE**

The municipality did not receive any In-kind Donations and Assistance during the year under review.

**55 PRIVATE PUBLIC PARTNERSHIPS**

The municipality is in the process of setting up a municipal entity, a company not having share capital. The main business and objects of the entity will be to market and develop tourism for the entire district. At year-end the entity was yet to be registered.

**56 EVENTS AFTER THE REPORTING DATE**

On 27 October 2017, Council approved a write-off of unauthorised expenditure amounting to R 81,408,523, incurred for the period 1 July 2009 to 30 June 2010, in accordance with Section 32(2)(a)(ii) of the MFMA.

**57 COMPARATIVE FIGURES**

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note N/A) and Prior Period Errors (Note 43).

**58 GOING CONCERN ASSESSMENT**

Management considered the following matters relating to the Going Concern:

(i) On 31 May 2017 the Council adopted the 2017/18 to 2019/20 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an on-going inflow of revenue to support the on-going delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

**APPENDIX A**  
**LOANS AND FINANCE LEASES REGISTER JUNE 2017**  
**KOUGA LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2017**

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance previous reported as at 30/06/2015	Corrections	Restated balances at 30/06/2015	Corrections / Recognised during the year	Redemption during the year	Balance at 30/06/2017	Current portion Redemption 2017	Non-current liability 30/06/2018
<b>ANNUITY LOANS:</b>	<b>R</b>	<b>%</b>			<b>R</b>		<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>		
<b>ABSA</b>	166 000	14,50%	528	30/11/2018	59 034		59 034		(13 205)	37 618	(16 776)	20 843
<b>Total ABSA</b>	<b>166 000</b>				<b>59 034</b>	<b>-</b>	<b>59 034</b>	<b>-</b>	<b>(13 205)</b>	<b>37 618</b>	<b>(16 776)</b>	<b>20 843</b>
<b>ASDR &amp;Cacadu</b>	<b>938 870</b>	14,25%	513	30/12/2011	<b>118 263</b>		<b>118 263</b>		-	0		<b>0</b>
<b>Total ASDR &amp;Cacadu</b>	<b>938 870</b>				<b>118 263</b>	<b>-</b>	<b>118 263</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>0</b>
<b>DBSA</b>	67 602 200	11,180%	61007231	31/12/2024	49 602 111		49 602 111		(5 742 759)	36 696 689	(6 428 158)	30 268 532
<b>Total DBSA</b>	<b>67 602 200</b>				<b>49 602 111</b>	<b>0</b>	<b>49 602 111</b>	<b>0</b>	<b>(5 742 759)</b>	<b>36 696 689</b>	<b>(6 428 158)</b>	<b>30 268 532</b>
<b>INCA</b>	71 157 199	11,88%		30/06/2016	6 191 108		6 191 108		-	(0)		(0)
<b>Total INCA</b>	<b>71 157 199</b>				<b>6 191 108</b>	<b>-</b>	<b>6 191 108</b>	<b>-</b>	<b>-</b>	<b>(0)</b>	<b>-</b>	<b>(0)</b>
<b>Total Annuity Loans</b>	<b>139 864 268</b>				<b>55 970 516</b>	<b>-</b>	<b>55 970 516</b>	<b>-</b>	<b>-5 755 964</b>	<b>36 734 308</b>	<b>-6 444 933</b>	<b>30 289 374</b>
<b>Operating leases reclassified as finance leases</b>					<b>4 535 830</b>		<b>4 535 830</b>		<b>(2 811 993)</b>	<b>4 432 790</b>	<b>(2 154 968)</b>	<b>2 277 823</b>
<b>Total capitalised lease liabilities</b>	<b>1 822 463</b>				<b>4 535 830</b>	<b>-</b>	<b>4 535 830</b>	<b>-</b>	<b>(2 811 993)</b>	<b>4 432 790</b>	<b>(2 154 968)</b>	<b>2 277 823</b>
<b>TOTAL EXTERNAL LOANS</b>					<b>60 506 347</b>		<b>60 506 347</b>	<b>-</b>	<b>-8 567 958</b>	<b>41 167 098</b>	<b>(8 599 901)</b>	<b>32 567 197</b>

**APPENDIX B**  
**KOUGA LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**

2016 Actual Income	2016 Budgeted Income	2016 Actual Expenditure	2016 Budgeted Expenditure	2016 Surplus/ (Deficit)	Description	Vote Number	2017 Actual Income	2017 Budgeted Income	2017 Actual Expenditure	2017 Budgeted Expenditure	2017 Surplus/ (Deficit)
R	R	R	R	R			R	R	R	R	R
					<b>Municipal Governance and Administration</b>						
34 110	100 000	24 933 166	30 458 544	(24 899 056)	Executive and Council		3 744	-	30 867 106	-	(30 863 362)
34 110	100 000	16 295 298	19 009 020	(16 261 188)	Council	130	3 744	-	20 079 145	-	(20 075 402)
-	-	1 040 210	1 182 189	(1 040 210)	Executive Mayor	530	-	-	917 863	-	(917 863)
-	-	-	-	-	Executive Mayor: Secretariate	531	-	-	-	-	-
-	-	610 846	606 045	(610 846)	MM: Media	572	-	-	662 807	-	(662 807)
-	-	753 947	729 462	(753 947)	MM: PMS	571	-	-	806 592	-	(806 592)
-	-	-	-	-	MM: Risk Management	229	-	-	-	-	-
-	-	-	-	-	MM: Secretariate	573	-	-	-	-	-
-	-	6 232 864	8 931 828	(6 232 864)	Municipal Manager	570	-	-	8 400 699	-	(8 400 699)
227 499 507	226 621 716	73 332 383	82 960 432	154 167 124	Budget and Treasury Office		261 755 446	-	86 522 930	-	175 232 516
136 064 932	137 362 151	6 079 601	6 531 168	129 985 332	Finance: Assessment Rates	030	149 827 907	-	5 289 598	-	144 538 310
15 000	-	3 187 827	9 063 173	(3 172 827)	Finance: Asset & Fleet Management	226	2 208 211	-	2 708 981	-	(500 769)
5 031 308	2 984 460	5 669 757	9 948 427	(638 449)	Finance: Budget & Financial Reporting	221	7 776 128	-	4 109 810	-	3 666 317
82 585 979	81 995 228	1 010 953	3 379 168	81 575 026	Finance: CFO	220	94 047 022	-	2 881 677	-	91 165 345
453 581	488 083	4 685 698	3 977 418	(4 232 116)	Finance: Expenditure	222	401 842	-	9 830 589	-	(9 428 747)
3 243 507	3 630 470	16 812 802	14 860 510	(13 569 294)	Finance: Revenue	223	7 428 828	-	20 342 794	-	(12 913 967)
78 309	134 521	1 613 895	1 976 798	(1 535 586)	Finance: SCM	228	49 540	-	1 485 222	-	(1 435 682)
-	-	-	-	-	Finance: Secretariate	225	-	-	-	-	-
1	-	1 634 124	1 660 449	(1 634 123)	Finance: Stores	227	-	-	3 824 548	-	(3 824 548)
-	-	2 408 869	2 100 590	(2 408 869)	Mechanical Workshop	550	-	-	2 076 340	-	(2 076 340)
-	-	4 847 485	5 389 453	(4 847 485)	Human Resources	333	-	-	4 954 816	-	(4 954 816)
12	20	22 600 438	21 302 345	(22 600 426)	Corporate Services	121	-	-	25 920 197	-	(25 920 197)
26 876	26 782	2 780 936	2 770 933	(2 754 060)	Corporate Services: Director	120	15 968	-	3 098 358	-	(3 082 390)
-	-	-	-	-			-	-	-	-	-
-	-	-	-	-			-	-	-	-	-
-	-	-	-	-			-	-	-	-	-
					<b>Community and Public Safety</b>						
5 263 616	4 722 223	14 254 374	15 942 837	(8 990 758)	Community and Social Services		4 284 793	-	14 881 043	-	(10 596 250)
1 100 500	363 824	372 855	684 561	727 645	Cemeteries	110	431 045	-	415 789	-	15 256
-	-	131 950	603 848	(131 950)	Kouga Cultural Centre	400	-	-	163 804	-	(163 804)
2 034 686	2 041 275	4 567 734	5 364 395	(2 533 048)	Libraries	500	1 818 223	-	4 730 173	-	(2 911 950)
-	-	145 785	132 560	(145 785)	Museum	580	-	-	277 696	-	(277 696)
-	-	3 846 997	3 342 098	(3 846 997)	Beach	040	(72 547)	-	4 357 318	-	(4 429 865)
-	-	188 855	437 172	(188 855)	Blue Flag	041	-	-	221 971	-	(221 971)
2 127 820	2 316 514	3 492 467	3 573 115	(1 364 647)	Caravan Parks	100	2 108 072	-	3 235 141	-	(1 127 068)
-	-	1 331 905	1 218 279	(1 331 905)	Community & Social Services: Director	791	-	-	1 305 390	-	(1 305 390)
-	-	175 825	586 810	(175 825)	Community Services	115	-	-	173 762	-	(173 762)
610	610	-	-	610	Pound	705	-	-	-	-	-
16 885 337	10 069 118	33 038 301	34 609 397	(16 152 963)	Public Safety		18 544 451	-	37 225 791	-	(18 681 340)
596 581	2 086	14 065 853	14 410 780	(13 469 272)	Fire Services	230	1 350 211	-	16 586 894	-	(15 236 682)
-	-	542 861	776 478	(542 861)	Disaster Management	140	-	-	584 789	-	(584 789)
6 624 011	7 783 727	4 121 790	4 240 416	2 502 221	National Traffic	590	7 038 291	-	4 131 455	-	2 906 837
9 664 745	2 283 305	14 307 797	15 181 723	(4 643 051)	Protection Services	710	10 155 948	-	15 922 654	-	(5 766 705)
-	-	-	-	-			-	-	-	-	-
16 732	40 589	26 536 551	26 039 008	(26 519 819)	Sport and Recreation		966	-	28 092 290	-	(28 091 324)
13 773	27 547	25 974 842	25 408 932	(25 961 068)	Parks & Open Space	680	-	-	27 323 984	-	(27 323 984)

**APPENDIX B**  
**KOUGA LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**

2016 Actual Income	2016 Budgeted Income	2016 Actual Expenditure	2016 Budgeted Expenditure	2016 Surplus/ (Deficit)	Description	Vote Number	2017 Actual Income	2017 Budgeted Income	2017 Actual Expenditure	2017 Budgeted Expenditure	2017 Surplus/ (Deficit)
R	R	R	R	R			R	R	R	R	R
2 958	13 042	561 709	630 076	(558 751)	Sport & Recreation	800	966	-	768 305	-	(767 340)
-	-	2 911 986	3 379 748	(2 911 986)	<b>Housing</b>	-	-	-	3 266 730	-	(3 266 730)
-	-	2 911 986	3 379 748	(2 911 986)	Housing Services	325	-	-	3 266 730	-	(3 266 730)
-	-	2 045	360 000	(2 045)	<b>Health</b>	-	-	-	394 696	-	(394 696)
-	-	-	-	-	Clinic Andrieskraal	323	-	-	-	-	-
-	-	-	-	-	Clinic Kwanomzamo	321	-	-	-	-	-
-	-	-	-	-	Clinic Pellsrus	322	-	-	-	-	-
-	-	-	-	-	Health (Primary)	320	-	-	-	-	-
-	-	2 045	360 000	(2 045)	Occupational Health and Safety	650	-	-	394 696	-	(394 696)
-	-	-	-	-	<b>Economic and Environmental Services</b>	-	-	-	-	-	-
15 363 347	15 600 410	10 535 189	10 604 936	4 828 158	Environmental Protection	-	15 854 609	-	7 813 740	-	8 040 869
2 908 521	1 768 310	3 569 298	3 839 054	(660 777)	Environmental Health	210	2 506 839	-	3 713 259	-	(1 206 420)
678 929	1 142 685	7 231	32 007	671 697	Nature Reserves	600	947 076	-	40 227	-	906 849
11 775 897	12 689 415	6 958 660	6 733 875	4 817 238	Environmental Management Fee	731	12 400 695	-	4 060 255	-	8 340 440
-	-	-	-	-	-	-	-	-	-	-	-
3 412 359	1 812 235	14 614 956	17 020 463	(11 202 598)	Planning and Development	-	2 695 183	-	19 675 754	-	(16 980 571)
-	-	729 470	802 173	(729 470)	Economic Development: Agriculture	171	-	-	121 226	-	(121 226)
-	-	736 307	1 069 872	(736 307)	Economic Development: Business	172	-	-	837 941	-	(837 941)
-	-	1 593 832	1 614 961	(1 593 832)	Economic Development: General	170	-	-	1 726 382	-	(1 726 382)
1 522 946	100 000	1 773 030	1 855 430	(250 084)	Economic Development: Tourism	173	-	-	3 083 504	-	(3 083 504)
-	-	1 663 578	1 712 369	(1 663 578)	IDP/LED	340	-	-	1 655 513	-	(1 655 513)
-	-	1 381 997	1 490 085	(1 381 997)	Social Development	790	-	-	1 571 438	-	(1 571 438)
-	-	-	-	-	Director Planning and Development	701	-	-	4 821 324	-	(4 821 324)
1 889 413	1 712 235	6 736 743	8 475 573	(4 847 330)	Planning & Development	700	2 695 183	-	5 858 425	-	(3 163 242)
-	-	-	-	-	-	-	-	-	-	-	-
4 792 775	3 250 602	87 264 436	63 725 948	(82 471 661)	Roads and Transport	-	3 577 866	-	89 955 209	-	(86 377 344)
2 209 542	2 249 354	2 093 192	2 111 267	116 350	Water Ways	990	2 519 408	-	2 909 786	-	(390 378)
2 583 233	1 001 248	85 171 244	61 614 681	(82 588 011)	Public Works	720	1 058 458	-	87 045 424	-	(85 986 966)
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	<b>Trading Services</b>	-	-	-	-	-	-
209 248 019	217 874 726	194 965 216	209 495 757	14 282 803	Electricity	-	215 811 360	-	210 320 649	-	5 490 711
209 248 019	217 874 726	194 965 216	209 495 757	14 282 803	Electricity	190	215 811 360	-	210 320 649	-	5 490 711
-	-	-	-	-	-	-	-	-	-	-	-
89 753 406	89 680 438	60 122 391	71 019 723	29 631 015	Waste Management	-	97 438 908	-	59 603 316	-	37 835 592
41 196	50 462	4 559 130	4 552 012	(4 517 934)	Sanitation	750	42 570	-	4 065 299	-	(4 022 729)
67 082 060	66 699 480	25 552 533	33 717 909	41 529 527	Sewerage	780	72 717 038	-	25 600 485	-	47 116 553
22 630 151	22 930 496	30 010 728	32 749 802	(7 380 578)	Refuse Removal	730	24 679 300	-	29 937 531	-	(5 258 232)
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
92 724 352	98 404 229	62 460 500	55 793 021	30 263 852	Water	-	54 548 523	-	65 774 719	-	(11 226 196)
92 724 352	98 404 229	62 460 500	55 793 021	30 263 852	Water	980	54 548 523	-	65 774 719	-	(11 226 196)
-	-	-	-	-	-	-	-	-	-	-	-
842 242	2 323 011	14 288 427	22 430 768	(13 446 185)	<b>Other</b>	-	2 672 426	-	13 405 545	-	(10 733 119)
277 710	202 632	897 849	2 061 233	(620 139)	Skills Development	820	-	-	884 897	-	(884 897)
(173 902)	31 921	4 701 277	6 784 066	(4 875 179)	Finance: IT	224	-	-	3 260 397	-	(3 260 397)
235 922	9 397	1 893 897	2 070 135	(1 657 974)	Engineering	200	970 920	-	2 255 792	-	(1 284 873)
-	1 540 000	1 371 013	1 327 172	(1 371 013)	Mgt Administration Unit	560	1 516 300	-	1 396 946	-	119 354
-	-	1 055 964	1 056 731	(1 055 964)	Technical Services: Director	551	-	-	1 095 107	-	(1 095 107)
-	-	-	-	-	Technical Services: Secretariate	552	-	-	-	-	-
-	-	1 240 467	1 105 071	(1 240 467)	Strategic Services: Director	330	-	-	1 412 524	-	(1 412 524)
-	-	-	-	-	Strategic Services: Secretariate	331	-	-	-	-	-
502 512	539 062	3 127 960	8 026 362	(2 625 448)	Building & Property	070	185 206	-	3 099 884	-	(2 914 677)
-	-	-	-	-	-	-	-	-	-	-	-
665 835 801	670 499 297	619 259 921	643 840 582	46 575 880	Sub-Total	-	677 188 273	-	667 799 518	-	9 388 755
-	-	-	-	-	Revenue Foregone	-	-	-	-	-	-

**APPENDIX B**  
**KOUGA LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**

2016 Actual Income	2016 Budgeted Income	2016 Actual Expenditure	2016 Budgeted Expenditure	2016 Surplus/ (Deficit)	Description	Vote Number	2017 Actual Income	2017 Budgeted Income	2017 Actual Expenditure	2017 Budgeted Expenditure	2017 Surplus/ (Deficit)
R	R	R	R	R			R	R	R	R	R
665 835 801	670 499 297	619 259 921	643 840 582	46 575 880	Total		677 188 273	-	667 799 518	-	9 388 755

**APPENDIX C**  
**KOUGA LOCAL MUNICIPALITY**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2017**

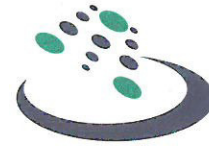
Description	2016/17											2015/16			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE															
Vote 1 - EXECUTIVE & COUNCIL	-	-	-	-	-	-	3 744	-	3 744	0.00	0.00				34 110
Vote 2 - FINANCIAL SERVICES	246 307 523	6 815 798	253 123 321	-	(253 123 321)	-	261 739 478	-	261 739 478	0.00	106,27				227 298 715
Vote 3 - ADMINISTRATION, MONITORING AND EVALUATION	30 900	-	30 900	-	(30 900)	-	15 968	-	15 968	0.00	51,68				26 889
Vote 4 - SOCIAL SERVICES	60 820 978	(2 134 903)	58 686 075	-	(58 686 075)	-	65 883 526	-	65 883 526	0.00	108,32				62 368 725
Vote 5 - INFRASTRUCTURE, PLANNING & DEVELOPMENT	367 921 002	(2 781 295)	365 139 707	-	(365 139 707)	-	349 545 558	-	349 545 558	0.00	95,01				374 306 706
Vote 6 - LED, TOURISM AND CREATIVE INDUSTRIES	477 192	-	477 192	-	(477 192)	-	-	-	-	0.00	0.00				1 800 656
Total Revenue by Vote	675 557 594	1 899 600	677 457 195	-	(677 457 195)	-	677 188 273	-	677 188 273	0.00	100,24	-	-	-	665 835 801
EXPENDITURE BY VOTE															
Vote 1 - EXECUTIVE & COUNCIL	32 142 145	(1 106 146)	31 035 999	-	(31 035 999)	-	30 867 106	-	30 867 106	0.00	96,03				24 933 166
Vote 2 - FINANCIAL SERVICES	59 196 853	(4 083 520)	55 113 333	-	(55 113 333)	-	53 776 002	-	53 776 002	0.00	90,84				45 493 692
Vote 3 - ADMINISTRATION, MONITORING AND EVALUATION	31 900 833	1 212 857	33 113 690	-	(33 113 690)	-	33 973 371	-	33 973 371	0.00	106,50				30 228 859
Vote 4 - SOCIAL SERVICES	127 754 387	3 569 344	131 323 731	-	(131 323 731)	-	127 505 660	-	127 505 660	0.00	99,81				117 720 426
Vote 5 - INFRASTRUCTURE, PLANNING & DEVELOPMENT	423 952 062	9 444 886	433 396 948	-	(433 396 948)	-	416 677 123	-	416 677 123	0.00	98,28				392 215 054
Vote 6 - LED, TOURISM AND CREATIVE INDUSTRIES	11 410 243	(176 726)	11 233 517	-	(11 233 517)	-	9 885 791	-	9 885 791	0.00	86,64				8 766 484
Total Expenditure by Vote	686 356 523	8 860 695	695 217 218	-	(695 217 218)	-	672 685 052	-	672 685 052	0.00	98,01	-	-	-	619 357 681
Surplus/(Deficit) for the year	(10 798 928)	(6 961 095)	(17 760 023)	-	17 760 023	-	4 503 220	-	4 503 220	0.00	0.00	-	-	-	46 478 120



**APPENDIX D**  
**KOUGA LOCAL MUNICIPALITY**  
**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

**Grants and Subsidies Received**

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June			
Equitable Share	Nat Treasury	38 175 000	29 297 000	22 907 000	0	38 175 000	29 297 000	22 907 000	0	0	0	0	0	N/A	Yes	N/A
FMG	Nat Treasury	1 625 000	0	0	0	151129	153276	167150	1152987	0	0	0	329 000	Refer to Note 17	Yes	N/A
MIG Projects	MIG	5 144 000	25 182 000	7 000 000	0	5150559	8689560	5508754	17977137	0	0	0	0	N/A	Yes	N/A
DME Projects	DME	6 000 000	0	0	0	346282	0	0	5637047	0	0	0	0	N/A	Yes	N/A
MSIG	DPLG	0	0	0	0	0	0	0	0	0	0	0	913 471	Refer to Note 17	Yes	N/A
EPWP Incentive Grant	Province	264 000	476 000	317 000	0	315021	0	183390	0	0	0	0	0	N/A	Yes	N/A
<b>Total Grants and Subsidies Received</b>		<b>51 208 000</b>	<b>54 955 000</b>	<b>30 224 000</b>	<b>0</b>	<b>44 137 991</b>	<b>38 139 836</b>	<b>28 766 294</b>	<b>24 767 171</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1 242 471</b>			



AUDITOR - GENERAL  
SOUTH AFRICA

The accounting officer  
Kouga Local Municipality  
P.O. Box 21  
Jeffreys Bay  
6330

30 November 2017

Reference: 60064REG16/17

Dear Sir

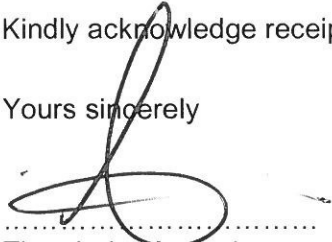
**Report of the Auditor-General on the financial statements and other legal and regulatory requirements of Kouga Local Municipality for the year ended 30 June 2017**

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act of South Africa read in conjunction with section 188 of the Constitution of the Republic of South Africa section 121(3) of the Municipal Finance Management Act of South Africa (MFMA)
2. We have not yet received the other information that will be included in the annual report with the audited financial statements and have thus not been able to establish whether there are any inconsistencies between this information and the audited financial statements and the reported performance against pre-determined objectives. You are requested to supply this information as soon as possible. Once this information is received it will be read and should any inconsistencies be identified these will be communicated to you and you will be requested to make the necessary corrections. Should the corrections not be made we will amend and reissue the audit report.
3. In terms of section 121(3) of the MFMA you are required to include the audit report in the Kouga Local Municipality's annual report to be tabled.
4. Until the annual report is tabled as required by section 127(2) of the MFMA the audit report is not a public document and should therefore be treated as confidential.
5. Prior to printing or copying the annual report which will include the audit report you are required to do the following:
  - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the audit report and for confirmation that the financial statements and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
  - The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in

6. Please notify the undersigned Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.
7. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely

A handwritten signature in black ink, consisting of a large, stylized 'L' shape with a loop at the top and a horizontal stroke at the bottom.

Thembela Mseleni  
Senior Manager: Eastern Cape business unit

Enquiries : Cwayita Somsam  
Telephone: (043) 709 7200  
Fax : (043) 709 7300

# Report of the auditor-general to the Eastern Cape Provincial Legislature and the council on the Kouga Local Municipality

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Kouga Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2017, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kouga Local Municipality as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2016 (Act No. 3 of 2016) (DoRA).

### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

#### Fruitless and wasteful expenditure

7. Fruitless and wasteful expenditure of R35,3 million (2016: R34,8 million) had accumulated over the last seven years and had not been recovered, written off or condoned, as disclosed in note 47.2 to the financial statements. Fruitless and wasteful expenditure of R0,5 million (2016: R0,8 million) incurred during the current year is included in the amount disclosed.



### Irregular expenditure

8. Irregular expenditure of R98,9 million (2016: R92,6 million) had accumulated over the last seven years and had not been recovered, written off or condoned, as disclosed in note 47.3 to the financial statements. Irregular expenditure of R6,3 million (2016: R2,4 million) incurred during the current year is included in the amount disclosed.

### Unauthorised expenditure

9. Unauthorised expenditure of R81 million (2016: R369 million) had accumulated over the last five years and had not been recovered, written off or condoned, as disclosed in note 47.1 to the financial statements.

### Material losses – water

10. As disclosed in note 48.9 to the financial statements, material water losses to the amount of R21 million (2016: R20 million) were suffered, which represented 38.5% (2016: 39%) of the total water purchased. The losses were due to leakages, tampering with meters, incorrect ratios used for bulk meters, faulty meters and illegal water connections.

### Restatement of corresponding figures

11. As disclosed in note 43 to the financial statements, the corresponding figures for 30 June 2016 have been restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2017.

### Other matter

12. I draw attention to the matter below. My opinion is not modified in respect of this matter.

### Unaudited disclosure notes

13. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

### Responsibilities of the accounting officer

14. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
15. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting officer either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

## Auditor-general's responsibilities for the audit of the financial statements

16. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
17. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

### Report on the audit of the annual performance report

#### Introduction and scope

18. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
19. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
20. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2017:

Development priorities	Pages in the annual performance report
Development priority 2 – local economic development	x – x
Development priority 5 – provision of infrastructure and basic services	x – x

21. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

22. The material findings in respect of the usefulness and reliability of the selected development priorities are as follows:

## **Development priority 2 - Local economic development**

### **Usefulness**

*Reported strategic objectives not consistent or complete when compared with planned strategic objectives*

23. The strategic objectives reported below were not reported in the annual performance report. This is not in line with the requirements of section 41(c) of the MSA:

- To create an enabling environment for economic growth that attracts investors, encourages innovation and facilitates pro-poor inventions.
- To facilitate real opportunities for youth, women and people with disabilities

Number of jobs created through private public partnerships

*Reported indicator not consistent or complete when compared with planned indicator*

24. The indicator was reported as number of jobs created through private public partnerships while the indicator was approved as number of jobs created through LED initiatives, inclusive of municipal capital projects in the service delivery agreement. This is not in line with the requirements of section 41(c) of the Municipal Systems Act, 2000 (Act No. 32 of 2000).

*Reported target not consistent or complete when compared with planned target*

25. The target was reported as 500 temporary jobs created through private public partnerships while the target was approved as 500 temporary Jobs created through LED initiatives, inclusive of municipal capital projects in the service delivery agreement. This is not in line with the requirements of section 41(c) of the Municipal Systems Act, 2000 (Act No. 32 of 2000).

## Reliability

26. The reported achievement for the targets listed below was misstated as evidence provided did not agree with the reported performance

Indicator	Reported actual target	Audited actual target
Number of indicators rural residents and SMME's exposed to development programmes	300 Farmers/rural residents and SMME's exposed to development programmes	420 Farmers/rural residents and SMME's exposed to development programmes
Number of community members participating in arts /sports heritage training programs	500 Community members participated in Arts/Sports/ Heritage programs	6935 Community members participated in Arts/Sports/ Heritage programs
Number of jobs created through private public partnerships	500 temporary jobs created through private public partnerships	344 temporary jobs created through private public partnerships



## **Development priority 5 -Provision of infrastructure and basic service delivery**

### **Usefulness**

*Reported strategic objectives not consistent or complete when compared with planned strategic objectives*

27. The strategic objectives reported below were not reported in the annual performance report. This is not in line with the requirements of section 41(c) of the Municipal Systems Act, 2000 No. 32 of 2000:

- To promote access for all citizens to equitable, appropriate and sustainable infrastructure and service within a safe environment.
- To ensure ecological integrity through sustainable practices of municipal governance

### **Reliability**

28. The reported achievement for the following indicators and targets were misstated as the evidence provided did not agree to the reported performance.

<b>Indicator</b>	<b>Reported actual performance</b>	<b>Audited actual performance</b>
% of properties in formal residents arears provided with sanitation	100% of properties in formal residential areas are serviced with sanitation services	48% of properties in formal residential areas are serviced with sanitation services
% of properties in formal residents arears provided with electricity	100% of properties in formal residential areas are serviced with electricity connections	77% of properties in formal residential areas are serviced with electricity connections
Number of residents participated in HIV/AIDS programs presented by Kouga	As at 30 June 2017 the target of 200 participants was achieved.	As at 30 June 2017 the target of 227 participants was achieved.

### **Other matters**

29. I draw attention to the matters below.

### **Achievement of planned targets**

30. Refer to the annual performance report on pages x to x; x to x for information on the achievement of planned targets for the year and explanations provided for the under / over achievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 23 -28 of this report.

## **Adjustment of material misstatements**

31. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of the development priority. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

## **Report on audit of compliance with legislation**

### **Introduction and scope**

32. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
33. The material findings on compliance with specific matters in key legislations are as follows:

### **Annual financial statements**

34. The financial statements submitted for auditing were not prepared, in all material respects, in accordance with the requirements of section 122 of the MFMA. Material misstatements in the cash flow statement identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

### **Strategic planning and performance management**

35. The performance management system and related controls were inadequate as it did not describe and represent the processes of performance planning, monitoring, measurement, review, reporting and improvement and how it is conducted, organised and managed, as required by sections 38 of the Municipal Systems Act MSA and regulation 7 of the Municipal planning and performance management regulations.
36. A mid-year performance assessment was not completely performed as required by section 72(1)(a)(ii) of the MFMA.

### **Human resource management and compensation**

37. A senior manager did not sign a performance agreement within the prescribed period, as required by section 57(2)(a) of the MSA

### **Expenditure management**

38. Reasonable steps were not taken to prevent irregular as well as fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA
39. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA

## Procurement management

40. Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of supply chain management regulation 36(1).

## Consequence management

41. Irregular as well as fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.

## Other information

42. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected development priorities presented in the annual performance report that have been specifically reported on in the auditor's report.
43. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
44. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
45. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate, however, if it is corrected this will not be necessary.

## Internal control deficiencies

46. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report
- Leadership has not adequately monitored the action plans to address the performance and compliance reporting. Furthermore, the accounting officer has not held officials accountable for non-performance of their functions.



- Management need to ensure that performance reports are prepared and reviewed on quarterly basis and are supported by reliable information.
- Management need to ensure that all the reports requested by the audit committee are submitted timeously during the financial year. In addition, all internal audit and audit committee recommendations need to be implemented during the financial year

*Auditor-General*

East London

30 November 2017



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected development priorities and on the municipality's compliance with respect to the selected subject matters.

### Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
  - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Kouga Local Municipality's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a municipality to cease to continue as a going concern.
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### **Communication with those charged with governance**

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.